



\$73,670,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
PRATT INSTITUTE
REVENUE BONDS, SERIES 2015A

Dated: Date of Delivery

Due: July 1, as shown below

Payment and Security: The Pratt Institute Revenue Bonds, Series 2015A (the "Series 2015A Bonds") are special obligations of the Dormitory Authority of the State of New York ("DASNY" or 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 the date of issuance of the Series 2015A Bonds, between Pratt Institute ("Pratt," the "Institution" or the "Institute") and DASNY and (ii) all funds and accounts (except the Arbitrage Rebate Fund) authorized under DASNY's Pratt Institute Revenue Bond Resolution, adopted September 24, 2008 (the "Resolution"), and established under the Series Resolution Authorizing Up To \$85,000,000 Pratt Institute Revenue Bonds (the "Series 2015A Resolution") adopted on December 10, 2014.

The Loan Agreement is a general obligation of the Institution and requires the Institution to pay, in addition to the fees and expenses of DASNY and the Trustee, amounts sufficient to pay the principal, Sinking Fund Installments and Redemption Price of and interest on the Series 2015A Bonds, as such payments become due. The obligations of the Institution under the Loan Agreement to make such payments will be secured by a pledge of certain revenues of the Institution.

The Series 2015A Bonds will not be a debt of the State of New York (the "State") nor will the State be liable thereon. DASNY has no taxing power.

Description: The Series 2015A Bonds are issuable as fully registered bonds without coupons in denominations of \$5,000 and any integral multiple thereof. The Series 2015A Bonds will bear interest from their date of delivery, payable semiannually on each January 1 and July 1, commencing July 1, 2015.

The Series 2015A 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 2015A Bonds will be made in book-entry form (without certificates). So long as DTC or its nominee is the registered owner of the Series 2015A Bonds, payments of the principal, Purchase Price and Redemption Price of and interest on the Series 2015A 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 2015A BONDS – Book-Entry Only System" herein.

Redemption or Purchase: *The Series 2015A Bonds are subject to redemption or purchase in lieu of optional redemption prior to maturity as more fully described herein.*

Tax Exemption: In the opinion of Nixon Peabody LLP, under existing law and assuming compliance with the tax covenants described herein, and the accuracy of certain representations and certifications made by DASNY and the Institution described herein, interest on the Series 2015A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Nixon Peabody LLP is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Co-Bond Counsel is further of the opinion that the interest on the Series 2015A Bonds is exempt from personal income taxes of the State of New York and its political subdivisions, including The City of New York and the City of Yonkers. See "Part 10 – TAX MATTERS" herein regarding certain other tax considerations.

\$24,325,000 Serial Bonds

Due July 1	Principal Amount	Interest Rate	Yield	CUSIP Number ¹	Due July 1	Principal Amount	Interest Rate	Yield	CUSIP Number ¹
2015	\$ 1,220,000	4.000%	0.390%	6499072U5	2023	\$ 1,660,000	5.000%	2.420%	6499073C4
2016	1,210,000	4.000	0.580	6499072V3	2024	1,745,000	5.000	2.550	6499073D2
2017	1,260,000	4.000	0.890	6499072W1	2025	1,835,000	5.000	2.650*	6499073E0
2018	1,310,000	4.000	1.250	6499072X9	2026	1,925,000	5.000	2.790*	6499073F7
2019	1,365,000	4.000	1.570	6499072Y7	2027	2,005,000	3.000	3.090	6499073G5
2020	1,430,000	5.000	1.820	6499072Z4	2028	2,085,000	5.000	2.950*	6499073H3
2021	1,500,000	5.000	2.030	6499073A8	2029	2,195,000	5.000	3.000*	6499073J9
2022	1,580,000	5.000	2.240	6499073B6					

\$12,785,000 5.000% Term Bonds Due July 1, 2034, Yield 3.210%* CUSIP Number 6499073K6¹

\$5,995,000 3.625% Term Bonds Due July 1, 2036, Yield 3.750% CUSIP Number 6499073N0¹

\$10,055,000 5.000% Term Bonds Due July 1, 2039, Yield 3.380%* CUSIP Number 6499073L4¹

\$20,510,000 5.000% Term Bonds Due July 1, 2044, Yield 3.470%* CUSIP Number 6499073M2¹

The Series 2015A Bonds are offered when, as and if issued and received by the Underwriter. The offer of the Series 2015A 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 Nixon Peabody LLP, New York, New York and Drohan Lee LLP, New York, New York, Co-Bond Counsel to DASNY, and to certain other conditions. Certain legal matters will be passed upon for the Institution by its Counsel, Cullen and Dykman LLP, Garden City, New York. Certain legal matters will be passed upon for the Underwriter by its Counsel, Cozen O'Connor, New York, New York. DASNY expects to deliver the Series 2015A Bonds in definitive form in New York, New York, on or about January 7, 2015.



December 18, 2014

(1) CUSIP numbers herein are provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP numbers have been assigned by an independent company not affiliated with DASNY and are included solely for the convenience of the holders of the Series 2015A Bonds. Neither DASNY nor the Underwriter is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Series 2015A Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Series 2015A Bonds.

* Yield to the first optional redemption date of July 1, 2024.

No dealer, broker, salesperson or other person has been authorized by DASNY, the Institution or the Underwriter to give any information or to make any representations with respect to the Series 2015A Bonds, other than the information and representations contained in this Official Statement. If given or made, any such information or representations must not be relied upon as having been authorized by DASNY, the Institution or the Underwriter.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be a sale of the Series 2015A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

Certain information in this Official Statement has been supplied by the Institution, DTC and other sources that DASNY believes are reliable. DASNY does not guarantee the accuracy or completeness of such information and such information is not to be construed as a representation of DASNY.

The Institution reviewed the parts of this Official Statement describing the Institution, the Principal and Interest Requirements, the Project, the Estimated Sources and Uses of Funds and Appendix B. As a condition to the delivery of the Series 2015A Bonds, the Institution will certify as of the dates of sale and delivery of the Series 2015A Bonds that 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 Institution makes no representations as to the accuracy or completeness of any other information included in this Official Statement.

The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities law, but the Underwriter does not guarantee the accuracy or completeness of such information.

References in this Official Statement to the Act, the Resolution, the Series 2015A Resolution, the Loan Agreement and the Mortgage do not purport to be complete. Refer to the Act, the Resolution, the Series 2015A Resolution, the Loan Agreement and the Mortgage for full and complete details of their provisions. Copies of the Resolution, the Series 2015A Resolution, the Bond Series Certificate, the Loan Agreement and the Mortgage are on file with DASNY and the Trustee.

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

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

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

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

OFFICIAL STATEMENT RELATING TO

\$73,670,000

DORMITORY AUTHORITY OF THE STATE OF NEW YORK
PRATT INSTITUTE
REVENUE BONDS, SERIES 2015A

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 DASNY and the Institution in connection with the offering by DASNY of \$73,670,000 aggregate principal amount of its Pratt Institute Revenue Bonds, Series 2015A (the “Series 2015A Bonds”).

The following is a brief description of certain information concerning the Series 2015A Bonds, DASNY and the Institution. A more complete description of such information and additional information that may affect decisions to invest in the Series 2015A 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 2015A Bonds are being issued to: (i) redeem DASNY’S outstanding Pratt Institute Revenue Bonds, Series 2009A (Letter of Credit Secured) (the “Series 2009A Bonds”) and Pratt Institute Revenue Bonds, Series 2009B (Letter of Credit Secured) (the “Series 2009B Bonds,” and, together with the Series 2009A Bonds, the “Series 2009A&B Bonds”); (ii) pay the Costs of certain of the components of the Project more particularly described in “PART 5 – THE PROJECT;” and (iii) pay the Cost of Issuance of the Series 2015A Bonds. See “PART 5 – THE PROJECT” and “PART 6 – ESTIMATED SOURCES AND USES OF FUNDS.”

Authorization of Issuance

The Series 2015A Bonds will be issued pursuant to the Resolution, the Series 2015A Resolution and the Act. In addition to the Series 2015A Bonds, the Resolution authorizes the issuance of other Series of Bonds to pay the costs of one or more Projects, to pay certain Costs of Issuance of such Series of Bonds and to refund all or a portion of Outstanding Bonds or other notes or bonds of DASNY issued for the benefit of the Institution or other indebtedness of the Institution. The aggregate amount of Bonds that may be issued under the Resolution is unlimited, except as provided in the Resolution or by law. Each Series of Bonds issued under the Resolution will be separately secured. The Institution’s obligations with respect to all bonds issued under the Resolution will be secured equally and ratably by a security interest in the Institution’s Gross Receipts (as herein defined). See “PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2015A BONDS.”

DASNY

DASNY 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, governmental and not-for-profit institutions. See “PART 7 – DASNY.”

The Institution

Pratt Institute is an independent, not-for-profit education corporation chartered by the Board of Regents of the State. The Institution’s main campus is located in Brooklyn, New York, and a satellite campus is located in Manhattan, New York. See “PART 4 – THE INSTITUTION” and “Appendix B – Financial Statements of Pratt Institute (With Independent Auditors’ Report Thereon).”

The Series 2015A Bonds

The Series 2015A Bonds are issuable as fully registered bonds without coupons in denominations of \$5,000 and any integral multiple thereof. The Series 2015A Bonds will bear interest from their date of delivery, payable semiannually on each January 1 and July 1, commencing July 1, 2015. See “PART 3 – THE SERIES 2015A BONDS – Description of the Series 2015A Bonds.”

Payment of the Series 2015A Bonds

The Series 2015A Bonds will be special obligations of DASNY payable solely from the Revenues which consist of certain payments to be made by the Institution under the Loan Agreement. The Loan Agreement is a general obligation of the Institution. Pursuant to the Resolution and the Series 2015A Resolution, the Revenues and DASNY’s right to receive the Revenues have been pledged to the Trustee. See “PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2015A BONDS.”

The Series 2015A Bonds will not be a debt of the State nor will the State be liable thereon. DASNY has no taxing power.

Security for the Series 2015A Bonds

The Series 2015A Bonds will be secured by the pledge and assignment to the Trustee of the Revenues and the security interest in the Gross Receipts granted by the Institution to DASNY under the Loan Agreement. The Series 2015A Bonds will also be secured by the proceeds from the sale of the Series 2015A Bonds (until disbursed as provided by the Resolution) and all funds and accounts authorized by the Resolution and established by the Series 2015A Resolution (except the Arbitrage Rebate Fund). The Resolution authorizes the issuance by DASNY, from time to time, of Bonds in one or more Series, each such Series to be authorized by a separate Series Resolution. Each Series of Bonds issued under the Resolution will be separately secured; however, the Institution’s obligations with respect to all bonds issued under the Resolution will be secured equally and ratably by a security interest in the Institution’s Gross Receipts (as herein defined). See “PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2015A BONDS – Security for the Series 2015A Bonds.”

The Series 2015A Bonds will not be a debt of the State nor will the State be liable thereon. DASNY has no taxing power.

In connection with issuance of the Series 2015A Bonds, DASNY and the Trustee will enter into an amendment and restatement of an existing agreement with the creditors and contingent creditors of the Institute who are secured by a security interest in the Gross Receipts relating to loans made to the Institute by DASNY and by RBS Citizens, N.A. Pursuant to the amendment and restatement of the agreement, the parties to it will agree that the liens on the Gross Receipts securing the Institute’s obligations to each of them will be on a parity with each other and that, upon any

foreclosure or other realization upon any of such liens, each of them will be entitled to a *pro rata* share of the proceeds of the foreclosure or other realization. See “PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2015A BONDS – Security for the Series 2015A Bonds.”

The Mortgage

The Institution’s obligations to DASNY under the Loan Agreement will be additionally secured by a mortgage on certain of the Institute’s property (the “Mortgage”) and security interests in certain fixtures, furnishings and equipment now or hereafter located on or used in connection with the mortgaged property. DASNY may, but has no present intention to, assign the Mortgage and such security interests 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 from any foreclosure or other realization therefrom will be pledged to the Holders of the Series 2015A Bonds. Property subject to the Mortgage may be released, and the Mortgage may be amended, with the prior written consent of DASNY, but without the consent of the Trustee or the Holders of any Series 2015A Bonds. See “PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2015A BONDS – The Mortgage.”

PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2015A BONDS

Set forth below is a narrative description of certain contractual provisions relating to the source of payment of and security for the Series 2015A Bonds and certain related covenants. These provisions have been summarized and this description does not purport to be complete. Reference should be made to the Act, the Resolution, the Series 2015A Resolution, the Loan Agreement and the Mortgage. Copies of the Resolution, the Series 2015A Resolution, the Loan Agreement and the Mortgage are on file with DASNY and the Trustee. See also “Appendix C – Summary of Certain Provisions of the Loan Agreement” and “Appendix D – Summary of Certain Provisions of the Resolution” for a more complete statement of the rights, duties and obligations of the parties thereto. All references to the Debt Service Fund refer to the fund by that name established pursuant to the Series 2015A Resolution.

Payment of the Series 2015A Bonds

The Series 2015A Bonds and all other Bonds which may be issued under the Resolution will be special obligations of DASNY. The principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Series 2015A Bonds are payable solely from the Revenues. The Revenues consist of the payments required to be made by the Institution under the Loan Agreement to satisfy the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Series 2015A Bonds. The Revenues and the right to receive them have been pledged to the Trustee for the benefit of the Bondholders.

The Loan Agreement is a general obligation of the Institution and obligates the Institution to make payments to satisfy the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on Outstanding Series 2015A Bonds. Payments made by the Institution in respect of interest on the Series 2015A Bonds are to be made on the tenth day of each month in an amount equal to the required fractional amount of interest coming due on the immediately succeeding interest payment date for the Series 2015A Bonds. Payments by the Institution in respect of principal are to be made on the tenth day of each month commencing February 10, 2015 to and including June 10, 2015, in the amount of one-fifth of the principal and Sinking Fund Installments coming due on July 1, 2015, and on the tenth day of each month thereafter commencing July 10, 2015, one-twelfth of the principal and Sinking Fund Installment on the Series 2015A Bonds coming due on the next succeeding July 1. Unless the redemption of Series 2015A Bonds at the option of DASNY or any purchase thereof in lieu of optional redemption is conditioned on the availability of sufficient money on the redemption date or purchase date, the Loan Agreement also obligates the Institution to pay on or prior to the date any notice of optional redemption or purchase in lieu of redemption is given, the amount required to pay the Redemption Price or Purchase Price of such Bonds. See “PART 3 – THE SERIES 2015A BONDS – Redemption Provisions.”

DASNY has directed, and the Institution has agreed, to make such payments directly to the Trustee. Such payments are to be applied by the Trustee to the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Bonds.

Security for the Series 2015A Bonds

The Series 2015A Bonds will be separately secured from each Series of Bonds which have been and may be issued under the Resolution. The Series 2015A Bonds will be secured by the pledge and assignment of the Revenues, the proceeds from the sale of the Series 2015A Bonds (until disbursed as provided in the Resolution) and all funds and accounts authorized under the Resolution and established under the applicable Series Resolution (with the exception of the Arbitrage Rebate Fund. In addition, the Series 2015A Bonds and the Institution's obligations with respect to all Bonds issued under the Resolution will be secured by the security interest in the Gross Receipts, which is given by the Institute to secure its obligations under the Loan Agreement and DASNY has assigned to the Trustee.

Gross Receipts

As security for its obligations under the Loan Agreement, the Institution has, pursuant to a Security Agreement, granted to DASNY a security interest in the Gross Receipts, consisting of all revenues received by the Institution from operations, including but not limited to the tuition and fees charged to students and received or receivable by the Institution, all of the Institution's accounts, contract rights, chattel paper, instruments, general intangibles, and other obligations of any kind, rights in and to Receivables, investment income, gifts, bequests, contributions and other donations (excluding only those that are specifically restricted) and the proceeds of any or all of the foregoing. DASNY has pledged and assigned to the Trustee for the benefit of the Holders of Bonds its security interest in the Gross Receipts. The Gross Receipts are subject to liens securing prior loans (the "Prior Loans") made by DASNY to the Institution from the proceeds of the Series 2009A&B Bonds and DASNY's Pratt Institute Insured Revenue Bonds, Series 2009C (the "Series 2009C Bonds" and, together with the Series 2009A&B Bonds, the "Prior Bonds") and by RBS Citizens, N.A. (the "Bank Lender").

The Intercreditor Agreement

Pursuant to an existing Intercreditor Agreement, dated March 19, 2009, as amended and restated on August 13, 2009 and further amended and restated July 8, 2010 (the "Intercreditor Agreement"), among DASNY, the respective trustees for the Prior Bonds, the bank that has issued direct pay letters of credit in connection with the Series 2009A&B Bonds, the insurer of the Series 2009C Bonds, and the Bank Lender, each as creditors or contingent creditors of the Institute as a consequence of the Prior Loans, the parties to it have agreed with each other that the liens on the Gross Receipts securing the Prior Loans will be on a party with each other and that, upon any foreclosure or other realization upon any of such liens, each of them will be entitled to a *pro rata* share of the proceeds of the foreclosure or other realization. The Series 2009A&B Bonds are to be redeemed on the date of issuance of the Series 2015A Bonds and, as a consequence of their redemption, the Prior Loans made from the proceeds of such bonds will be fully paid, the security interest in the Gross Receipts securing such loans will be discharged, and the Gross Receipts will no longer be subject to the liens of such security interests.

In connection with the issuance of the Series 2015A Bonds the Intercreditor Agreement will be further amended and restated by DASNY, the trustees for the Series 2009C Bonds and the Series 2015A Bonds, the insurer of the Series 2009C Bonds and the Bank Lender (collectively, the "Creditors"). Pursuant to the Intercreditor Agreement, as so further amended and restated, the liens on the Gross Receipts securing the then outstanding Prior Loans and the loan made from the proceeds of the Series 2015A Bonds will be of equal priority with each other, and upon a foreclosure or other realization on any of the liens on the Gross Receipts, each of the Creditors will, after certain expenses incurred in connection with enforcement of the security interest and collection of the proceeds thereof have been paid, be entitled to share *pro rata* in such proceeds, based upon the then outstanding and unpaid principal amount of the indebtedness of Institute owed to such Creditors.

After issuance of the Series 2015A Bonds and the redemption of the Series 2009A&B Bonds, the outstanding principal amount of loans secured by the Gross Receipts will be approximately \$122 million. The Gross Receipts have, during the past five fiscal years of the Institute, ranged from a low of approximately \$116 million in 2010 to a high of approximately \$139 million in 2014. See “PART 4 – THE INSTITUTION – ANNUAL FINANCIAL STATEMENT INFORMATION.”

The Mortgage

The Institution’s obligations to DASNY under the Loan Agreement will be additionally secured by the Mortgage on the Mortgaged Property and security interests in certain fixtures, furnishings and equipment now or hereafter located in or used in connection with the Mortgaged Property. DASNY may, but has no present intention to, assign the Mortgage and such security interests 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 2015A Bonds.

DASNY may consent to the amendment of the Mortgage and of any security interest in fixtures, furnishings or equipment located in or on or used in connection with such Mortgaged Property, and release from the lien thereon any property subject to such Mortgage or security interest, without the consent of the Trustee or the Holders of any Series 2015A Bonds.

No Debt Service Reserve Fund

No Debt Service Reserve Fund is being established for the benefit of the Series 2015A Bonds. DASNY, in its discretion, may establish a Debt Service Reserve Requirement for the benefit of any future Series of Bonds issued pursuant to the Resolution.

Certain Financial Covenants of the Institution

The Loan Agreement contains certain financial covenants of the Institution as summarized below.

Debt Service Coverage Ratio

The Institution covenants to maintain on each prescribed testing date a Debt Service Coverage Ratio of not less than 125%. Failure to comply with such covenant will not constitute an event of default under the Loan Agreement. However, if on two consecutive testing dates the Institution does not satisfy the Debt Service Coverage Ratio requirement, or in the event the Debt Service Coverage Ratio falls below 110% on any testing date, DASNY may require the Institution to retain a Management Consultant. As of June 30, 2014, the Institution’s Debt Service Coverage Ratio was reported at 359%.

Limitation on Additional Indebtedness

Short-Term Debt. The Institution may not have outstanding Short-Term Debt in a principal amount greater than 10% of the Institution’s total operating revenues for the immediately preceding Fiscal Year for which audited financial statements are available.

Long-Term Debt. The Institution may issue, incur, assume or guarantee Long-Term Debt without the consent of DASNY provided that (i) it maintains a rating that is at least in the “BBB/Baa” rating category, without regard for “+” or “-” from at least one rating agency, (ii) after giving effect to such Debt, Maximum Annual Debt Service would not exceed 10% of the Institution’s total operating revenues for the immediately preceding Fiscal Year for which audited financial statements are available and (iii) after giving effect to such Debt, the Debt Service Coverage Ratio for each of the two immediately preceding Fiscal Years for which audited financial statements are available would not be less than 140%, in each case as certified by the chief financial officer of the Institution.

DASNY has reserved the right to amend in any respect the covenants described above without the consent of the Trustee or the Holders of the Series 2015A Bonds.

Liquidity Ratio

There is no liquidity covenant under the Loan Agreement. However, pursuant to the loan agreement relating to the Series 2009C Bonds, the Institution is required to have a Liquidity Ratio of not less than 60% on each prescribed testing date. Failure to have a Liquidity Ratio of at least 60% on the prescribed testing date will result in an event of default under the loan agreement relating to the Series 2009C Bonds with no notice of such failure required to be given to the Institution and no cure period. An Event of Default under the Loan Agreement shall occur if the Institution shall be in default on any Parity Debt and, as a consequence thereof, such Parity Debt has been or is capable of being declared immediately due and payable.

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

Events of Default and Acceleration

The following are events of default under the Resolution with respect to the Series 2015A Bonds: (i) a default by DASNY in the payment of the principal, Sinking Fund Installment or Redemption Price of any Bond; (ii) a default by DASNY in the payment of interest on any Bond; (iii) a default by DASNY in the due and punctual performance of any covenant or agreement contained in the Series 2015A 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 DASNY in the due and punctual performance of any covenants, conditions, agreements or provisions contained in the Bonds or in the Resolutions which continues for 30 days after written notice thereof is given to DASNY 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 Bonds) or if such default is not capable of being cured within 30 days, if DASNY fails to commence within 30 days and diligently prosecute the cure thereof; or (v) DASNY 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 Institute under the Loan Agreement have been declared immediately due and payable (unless such declaration shall have been annulled). Unless all sums payable by the Institute 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 2015A Bonds, shall declare the principal of and interest on all the Outstanding Series 2015A Bonds to be due and payable. At any time after the principal of the Series 2015A 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 2015A Bonds not yet due by their terms and then Outstanding, by written notice to DASNY, 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 Institute 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 2015A 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 2015A Bonds.

Issuance of Additional Bonds

In addition to the Series 2015A Bonds, the Resolution authorizes the issuance of other Series of Bonds to finance one or more projects and for other specific purposes, including to refund Outstanding Bonds or other notes or bonds of DASNY issued on behalf of the Institution. All Bonds issued under the Resolution will be separately secured; however, the Institution's obligations with respect to all Bonds issued under the Resolution will be secured by a security interest in the Gross Receipts given to DASNY by the Institution to secure the Institution's obligations under the respective loan agreements relating to such Bonds and such security interest will be pledged and assigned by DASNY to the Trustee to secure the payment of the principal and Redemption Price and interest on such Bonds, except as otherwise provided in the Resolution or the applicable Series Resolution. Such security interest may also be pledged and assigned to the credit enhancer for such Bonds to secure the Institution's obligations to such credit enhancer. See "Appendix D – Summary of Certain Provisions of the Resolution."

General

The Series 2015A Bonds will not be a debt of the State nor will the State be liable thereon. DASNY has no taxing power. DASNY has never defaulted in the timely payment of principal or sinking fund installments of or interest on its bonds or notes. See "PART 7 – DASNY."

PART 3 – THE SERIES 2015A BONDS

Set forth below is a narrative description of certain provisions relating to the Series 2015A Bonds. These provisions have been summarized and this description does not purport to be complete. Reference should be made to the Resolution, the Series 2015A Resolution, the 2015A Bond Series Certificate and the Loan Agreement, copies of which are on file with DASNY and the Trustee. See also "Appendix C – Summary of Certain Provisions of the Loan Agreement" and "Appendix D – Summary of Certain Provisions of the Resolution" for a more complete description of certain provisions of the Series 2015A Bonds.

Description of the Series 2015A Bonds

General

The Series 2015A Bonds will be issued pursuant to the Resolution and the Series 2015A Resolution. The Series 2015A Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), pursuant to DTC's Book-Entry Only System. Purchases of beneficial interests in the Series 2015A 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 2015A Bonds, payments of the principal, Sinking Fund Installments and Redemption Price of and interest on the Series 2015A 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 2015A 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 2015A Bonds, the Series 2015A Bonds will be exchangeable for fully registered Series 2015A 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" herein and "Appendix D – Summary of Certain Provisions of the Resolution."

The Series 2015A Bonds will be dated their date of delivery, and will bear interest from such date (payable July 1, 2015 and on each January 1 and July 1 thereafter) at the rates, and will mature at the times set forth on the cover page of this Official Statement. Interest on the Series 2015A Bonds will accrue based upon a 360-day year of twelve 30-day months. The Series 2015A Bonds will be issued as fully registered bonds. The Series 2015A Bonds will be issued in denominations of \$5,000 or any integral multiple thereof.

Interest on the Series 2015A Bonds will be payable by check or draft mailed to the registered owners thereof or, at the option of the registered owner of at least \$1,000,000 of such Series 2015A Bonds, by wire transfer to the wire transfer address within the continental United States to which the registered owner has instructed the Trustee to make such payment at least five days prior to the Record Date. The principal or Redemption Price of the Series 2015A 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. As long as the Series 2015A Bonds are registered in the name of Cede & Co., as nominee of DTC, such payments will be made directly to DTC. See “Book-Entry Only System” herein. For a more complete description of the Series 2015A Bonds, see “Appendix D – Summary of Certain Provisions of the Resolution.”

Redemption Provisions

The Series 2015A Bonds are subject to optional, special and mandatory redemption as described below.

Optional Redemption

The Series 2015A Bonds maturing after July 1, 2024 are subject to optional redemption prior to maturity at the election of DASNY, in whole or in part, at any time on or after July 1, 2024 at a price of 100% of the principal amount of Series 2015A Bonds to be redeemed, plus accrued interest to the redemption date.

Special Redemption

The Series 2015A Bonds are also subject to redemption, in whole or in part, at a price of 100% of the principal amount of Series 2015A Bonds to be redeemed, plus accrued interest to the redemption date, at the option of DASNY on any interest payment date, from proceeds of a condemnation or insurance award, which proceeds are not used to repair, restore or replace the portion of the Project to which such proceeds relate, and from unexpended proceeds of the Series 2015A Bonds upon an abandonment of all or a portion of the Project due to a legal or regulatory impediment.

Mandatory Redemption

The Series 2015A Bonds maturing on July 1, 2034, July 1, 2036, July 1, 2039 and July 1, 2044 are subject to redemption prior to maturity, in part, through application of Sinking Fund Installments, upon notice, all as prescribed in the Resolution, at the price of 100% of the principal amount of each Series 2015A Bond or portion thereof to be redeemed, plus accrued interest, if any, to the date of redemption. Unless no Series 2015A Bonds of a maturity redeemable, in part, through Sinking Fund Installments are then Outstanding, there will be due and DASNY will be required to pay for the retirement of such Series 2015A Bonds, on July 1 of each of the years set forth in the following tables, the respective principal amounts set forth in the following tables:

<u>Term Bond Maturing on July 1, 2034</u>		<u>Term Bond Maturing on July 1, 2036</u>	
<u>Year</u>	<u>Sinking Fund Installments</u>	<u>Year</u>	<u>Sinking Fund Installments</u>
2030	\$2,310,000	2035	\$2,945,000
2031	2,425,000	2036 [†]	3,050,000
2032	2,550,000		
2033	2,680,000		
2034 [†]	2,820,000		

[†] Final Maturity

**Term Bond Maturing
on July 1, 2039**

<u>Year</u>	<u>Sinking Fund Installments</u>
2037	\$3,185,000
2038	3,350,000
2039 [†]	3,520,000

**Term Bond Maturing
on July 1, 2044**

<u>Year</u>	<u>Sinking Fund Installments</u>
2040	\$3,705,000
2041	3,895,000
2042	4,090,000
2043	4,300,000
2044 [†]	4,520,000

[†] Final Maturity

There will be credited against and in satisfaction of the Sinking Fund Installment payable on any date the principal amount of Series 2015A Bonds entitled to such Sinking Fund Installment (A) purchased with money in the Debt Service Fund pursuant to the Resolution, (B) redeemed at the option of DASNY, (C) purchased by the Institute or DASNY and delivered to the Trustee for cancellation or (D) deemed to have been paid in accordance with the Resolution. Series 2015A Bonds purchased from money in the Debt Service Fund will be applied against and in fulfillment of a required Sinking Fund Installment of the Series 2015A Bonds in accordance with the Resolution. Series 2015A Bonds redeemed at the option of DASNY, purchased by DASNY or the Institute (other than from amounts on deposit in the Debt Service Fund) or deemed to have been paid in accordance with the Resolution will be applied in satisfaction, in whole or in part, of one or more Sinking Fund Installments payable on such dates as DASNY may specify in a written direction of DASNY delivered to the Trustee at least 15 days prior to the earliest date on which notice of redemption of the Series 2015A Bonds entitled to such Sinking Fund Installment may be given by the Trustee and the Sinking Fund Installment payable on each date specified in such direction will be reduced by the principal amount of the Series 2015A Bonds so purchased, redeemed or deemed to have been paid in accordance with the Resolution to be applied in satisfaction of such Sinking Fund Installment as set forth in such direction.

Selection of Bonds to be Redeemed

In the case of redemptions of Series 2015A Bonds described above under the heading “*Optional Redemption*”, DASNY will select the maturities of the Series 2015A Bonds to be redeemed. If less than all of the Series 2015A Bonds of a maturity are to be redeemed, the Series 2015A 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; Conditional Notices

The Trustee is to give notice of the redemption of the Series 2015A Bonds in the name of DASNY which notice shall be given 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 2015A Bonds which are to be redeemed, at their last known addresses appearing on the registration books. The failure of any owner of a Series 2015A Bond to be redeemed to receive notice of redemption thereof will not affect the validity of the proceedings for the redemption of such Series 2015A Bond. If directed in writing by an Authorized Officer of DASNY, the Trustee shall publish or cause to be published such notice in an Authorized Newspaper not less than 30 days nor more than 45 days prior to the redemption date, but such publication is not a condition precedent to such redemption and failure to publish such notice or any defect in such notice or publication will not affect the validity of the proceedings for the redemption of such Series 2015A Bonds.

If, on the redemption date, money for the redemption of the Series 2015A Bonds of like maturity to be redeemed, together with interest thereon to the redemption date, is 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 2015A Bonds of such

maturity will cease to accrue from and after the redemption date and such Series 2015A Bonds will no longer be considered to be Outstanding under the Resolution and the Series 2015A Resolution.

DASNY's obligation to redeem the Series 2015A Bonds at its option or through Special Redemption may be conditioned upon the availability on the redemption date of sufficient money to pay the Redemption Price, including accrued interest to the redemption date, of the Series 2015A Bonds to be redeemed.

Purchase in Lieu of Optional Redemption

The Series 2015A Bonds shall be subject to purchase in lieu of their optional redemption as provided below.

Purchase Dates and Price. The Series 2015A Bonds maturing after July 1, 2024 are subject to purchase prior to maturity at the election of the Institute, with the written consent of DASNY, in whole or in part at any time on or after July 1, 2024, at the purchase price of 100% of the principal amount of Series 2015A Bonds to be purchased, plus accrued interest, if any (the "Purchase Price"), to the date of purchase.

Notice of Purchase; Conditional Notices. If the Institute elects to purchase Series 2015A Bonds, the Institute will give written notice to DASNY and the Trustee of such election, which notice shall set forth the maturity and the principal amount of the Series 2015A Bond to be purchased. The Trustee will cause notice of the purchase of Series 2015A Bonds to be given by mailing a copy of such notice by first-class mail, postage prepaid, not less than 30 days nor more than 45 days prior to the purchase date set forth in such notice. Each notice of purchase of Series 2015A Bonds is to state (i) the condition, if any, to such purchase, (ii) such other conditions as the Institute shall prescribe, (iii) the Series 2015A Bonds to be purchased, (iv) the purchase date or dates, and (v) that the Series 2015A Bonds to be purchased are to be delivered to the Trustee on the purchase date and that Series 2015A Bonds to be purchased not so delivered will be deemed duly tendered to the Trustee for purchase on the purchase date.

The Institute's obligation to purchase the Series 2015A Bonds may be subject to the condition that on the Purchase Date sufficient money is available for payment of the Purchase Price, including accrued interest to the Purchase Date, of the Series 2015A Bonds to be purchased.

Effect of Notice. Notice of purchase having been given in the manner required by the Bond Series Certificate, then, the Series 2015A Bonds to be purchased shall be tendered for purchase on the purchase date, and thereafter, if sufficient money to pay the Purchase Price of such Series 2015A Bonds is held by the Trustee, the Purchase Price of the Series 2015A Bonds or portions thereof so called for purchase will become due and payable on the date set for purchase, upon presentation and surrender of such Series 2015A Bonds to be purchased at the office or offices specified in such notice, and, in the case of Series 2015A Bonds presented by other than the registered owner, together with a written instrument of transfer duly executed by the registered owner or his duly authorized attorney. If such money is not available on the purchase date, such Series 2015A Bonds will continue to be registered in the name of the registered owner on the purchase date and the registered owners will be entitled to receive the payments of the principal of and interest on such Series 2015A Bonds in accordance with their respective terms.

Selection of Bonds to be Purchased. If less than all of the Outstanding Series 2015A Bonds of like maturity are to be purchased, the Trustee is to select the Series 2015A Bonds to be purchased, by lot, using such method of selection as it deems proper in its discretion in the same manner as prescribed in the Resolution for the selection of Series 2015A Bonds for redemption.

Book-Entry Only System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2015A Bonds. The Series 2015A 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 2015A Bond certificate will be issued for each maturity of the Series 2015A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of Series 2015A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2015A Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2015A 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 2015A 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 2015A Bonds, except in the event that use of the book-entry system for the Series 2015A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2015A Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2015A 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 2015A Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2015A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices will be sent to DTC. If less than all of the Series 2015A Bonds within a maturity are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2015A Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to DASNY as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Series 2015A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption premium, if any, and interest payments on the Series 2015A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from DASNY or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Underwriter, the Trustee, the Institute or DASNY, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of DASNY or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DASNY and the Trustee may treat DTC (or its nominee) as the sole and exclusive registered owner of the Series 2015A Bonds registered in its name for the purposes of payment of the principal and redemption premium, if any, of, or interest on, the Series 2015A Bonds, giving any notice permitted or required to be given to registered owners under the Resolution, registering the transfer of the Series 2015A Bonds, or other action to be taken by registered owners and for all other purposes whatsoever. DASNY and the Trustee have no responsibility or obligation to any Direct or Indirect Participant, any person claiming a beneficial ownership interest in the Series 2015A Bonds under or through DTC or any Direct or Indirect Participant, or any other person which is not shown on the registration books of DASNY (kept by the Trustee) as being a registered owner, with respect to the accuracy of any records maintained by DTC or any Direct or Indirect Participant; the payment by DTC or any Direct or Indirect Participant of any amount in respect of the principal, redemption premium, if any, or interest on the Series 2015A Bonds; any notice which is permitted or required to be given to registered owners thereunder or under the conditions to transfers or exchanges adopted by DASNY; or other action taken by DTC as registered owner. Interest, redemption premium, if any, and principal will be paid by the Trustee to DTC, or its nominee. Disbursement of such payments to the Direct or Indirect Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the Direct or Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2015A Bonds at any time by giving reasonable notice to DASNY and the Trustee. Under such circumstances, in the event that a successor depository is not obtained, the Series 2015A Bond certificates are required to be printed and delivered.

DASNY may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, the Series 2015A Bond certificates will be printed and delivered to DTC.

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

Each person for whom a Direct or Indirect Participant acquires an interest in the Series 2015A Bonds, as nominee, may desire to make arrangements with such Direct or Indirect Participant to receive a credit balance in the records of such Direct or Indirect Participant, and may desire to make arrangements with such Direct or Indirect Participant to have all notices of redemption or other communications of DTC, which may affect such persons, to be forwarded in writing by such Direct or Indirect Participant and to have notification made of all interest payments. **NEITHER DASNY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DIRECT OR INDIRECT PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE SERIES 2015A BONDS.**

So long as Cede & Co. is the registered owner of the Series 2015A Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the Series 2015A Bonds (other than under the caption "PART 10 – TAX MATTERS" herein) means Cede & Co., as aforesaid, and does not mean the Beneficial Owners of the Series 2015A Bonds.

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

For every transfer and exchange of Series 2015A Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

DASNY, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the Series 2015A Bonds if DASNY determines that (i) DTC is unable to discharge its responsibilities with respect to the Series 2015A Bonds or (ii) a continuation of the requirement that all of the Outstanding Series 2015A Bonds be registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of DTC, is not in the best interests of the Beneficial Owners. In the event that no substitute securities depository is found by DASNY or restricted registration is no longer in effect, Series 2015A Bond certificates will be delivered as described in the Resolutions and the Bond Series Certificate.

NEITHER DASNY, THE INSTITUTE, THE UNDERWRITER 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 2015A 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 2015A 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 2015A BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE SERIES 2015A BONDS; OR (VI) ANY OTHER MATTER.

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Principal and Interest Requirements

The following table sets forth the estimated amounts, after giving effect to the issuance of the Series 2015A Bonds, required to be paid by the Institute during each twelve month period ending June 30 of the Bond Years shown for the payment of debt service on the principal of and interest on the Series 2015A Bonds, the principal and interest on the Series 2009C Bonds, the principal and interest on the RBS Citizens Loan (as defined herein), and the total debt service on all indebtedness of the Institute, including the Series 2015A Bonds.

<u>Series 2015A Bonds</u>						
Fiscal Year Ending June 30	Principal and Sinking Fund Installments	Interest Payments	Total Debt Service on the Series 2015A Bonds	Total Debt Service on the Series 2009C Bonds	Total Debt Service on the RBS Citizens Loan*	Total Debt Service on all Outstanding Indebtedness
2015	\$ 1,220,000	\$ 1,690,371	\$ 2,910,371	\$ 3,223,975	\$ 709,375	\$ 6,843,721
2016	1,210,000	3,448,519	4,658,519	3,231,150	695,975	8,585,644
2017	1,260,000	3,400,119	4,660,119	3,228,650	682,574	8,571,343
2018	1,310,000	3,349,719	4,659,719	3,224,650	6,556,276	14,440,645
2019	1,365,000	3,297,319	4,662,319	3,227,650	-	7,889,969
2020	1,430,000	3,242,719	4,672,719	3,227,650	-	7,900,369
2021	1,500,000	3,171,219	4,671,219	3,227,250	-	7,898,469
2022	1,580,000	3,096,219	4,676,219	3,224,850	-	7,901,069
2023	1,660,000	3,017,219	4,677,219	3,228,750	-	7,905,969
2024	1,745,000	2,934,219	4,679,219	3,228,400	-	7,907,619
2025	1,835,000	2,846,969	4,681,969	3,228,650	-	7,910,619
2026	1,925,000	2,755,219	4,680,219	3,226,400	-	7,906,619
2027	2,005,000	2,658,969	4,663,969	3,225,400	-	7,889,369
2028	2,085,000	2,598,819	4,683,819	3,225,400	-	7,909,219
2029	2,195,000	2,494,569	4,689,569	3,226,150	-	7,915,719
2030	2,310,000	2,384,819	4,694,819	3,227,400	-	7,922,219
2031	2,425,000	2,269,319	4,694,319	3,223,900	-	7,918,219
2032	2,550,000	2,148,069	4,698,069	3,225,650	-	7,923,719
2033	2,680,000	2,020,569	4,700,569	3,227,150	-	7,927,719
2034	2,820,000	1,886,569	4,706,569	3,228,150	-	7,934,719
2035	2,945,000	1,745,569	4,690,569	3,228,400	-	7,918,969
2036	3,050,000	1,638,813	4,688,813	3,224,506	-	7,913,319
2037	3,185,000	1,528,250	4,713,250	3,224,206	-	7,937,456
2038	3,350,000	1,369,000	4,719,000	3,226,988	-	7,945,988
2039	3,520,000	1,201,500	4,721,500	3,227,338	-	7,948,838
2040	3,705,000	1,025,500	4,730,500	-	-	4,730,500
2041	3,895,000	840,250	4,735,250	-	-	4,735,250
2042	4,090,000	645,500	4,735,500	-	-	4,735,500
2043	4,300,000	441,000	4,741,000	-	-	4,741,000
2044	4,520,000	226,000	4,746,000	-	-	4,746,000

* Calculated using 2-year average LIBOR of 0.1739% plus 2.50%. The Institute intends to refinance this loan with the same lender in January 2015. The maturity date for the loan is expected to be extended until December 2024 and the interest rate is expected to be reduced to LIBOR + 1.50%. For a discussion of the Institution's outstanding indebtedness, see "PART 4 – THE INSTITUTION – Outstanding Indebtedness."

PART 4 – THE INSTITUTION

GENERAL INFORMATION

Introduction

Pratt Institute (“Pratt,” the “Institution,” or the “Institute”) is a coeducational, private, professional college offering associate, bachelor and master’s degree programs in art, design, architecture and library science. The Institute has been educating professionals for productive careers in artistic and technical fields since its founding on its present site in Brooklyn in 1887 by the industrialist and philanthropist Charles Pratt. His revolutionary philosophy of education emphasized applied knowledge and the teaching of specific skills demanded by a growing industrial economy.

The Institute currently occupies 25 tree-filled acres in the landmark Clinton Hill section of Brooklyn—a historic residential district featuring turn-of-the-century brownstones, Victorian mansions and wide tree-canopied boulevards. Midtown Manhattan, the heart of New York City, is a half hour subway ride away and offers students a wealth of vocational, cultural and recreational opportunities. Pratt is the only college for art and design on the east coast that has a traditional enclosed campus with on-site student housing.

Pratt is one of the largest undergraduate and graduate schools for art, design and architecture in the country and offers a wide range of cross-discipline study options, dual degrees and major concentrations. The Institute houses six schools: Architecture, Art, Design, Information and Library Sciences, Liberal Arts and Sciences and Professional Studies.

The mission of Pratt is to educate and stimulate individuals to be creative and responsible artists and professionals in art, design, architecture and information and library science. Blending theory, advanced technology and practical experiences with high professional, ethical and humanistic standards, Pratt seeks to enhance creative aptitude, foster individuality, and instill in its graduates aesthetic judgment, professional knowledge, collaborative skills and technical expertise. Pratt’s graduates are prepared to apply their talents pursuing successful careers and advancing the frontiers of their professions. Pratt enrolls a diverse body of students, drawn from a variety of social, economic, ethnic, racial, geographic and cultural backgrounds, whose intelligence, creativity and problem-solving abilities are continually challenged and improved in an effort to produce graduates of outstanding ability.

Campus and Facilities

Pratt currently operates campus facilities in Brooklyn and Manhattan in New York City. The Brooklyn campus, which is the location of the majority of the Institute’s academic programs, administrative offices and student housing, is considered the primary campus.

The Brooklyn Campus - Pratt’s 25-acre Brooklyn campus is located in a park-like setting in the Clinton Hill section of Brooklyn, and is bordered by numerous nineteenth century brownstones and mansions, a number of which were built by Charles Pratt for his large family. Among the Institute’s 25 buildings are a number of structures which have been identified as historic landmark buildings. In addition to the academic and administrative buildings, the Institute has six residence halls with a capacity of housing approximately 1,500 students and maintains 27 single family dwelling units for faculty and staff.

The Manhattan Campus - The Manhattan campus consists of a building located at 144 West 14th Street, which houses programs in both undergraduate and graduate studies as well as continuing education. The space provides support to classrooms, studios, a library, an exhibition gallery and a 150-seat lecture room. As a result of increased student enrollment in the Graduate Communication Design program, additional space is being provided by leasing approximately 8,470 square feet on the third floor of the building located at 115 West 18th Street.

Academic Programs

Pratt offers the following degrees and programs:

Degrees Offered: Associate: Applied Science in Building and Construction, Applied Science in Graphic Design/Illustration, Applied Science in Painting/Drawing, Occupational Studies in Digital Design and Interactive Media, Occupational Studies in Graphic Design, Occupational Studies in Illustration

Undergraduate: Bachelor of Architecture, Bachelor of Professional Studies, Bachelor of Science, Bachelor of Arts, Bachelor of Fine Arts, Bachelor of Industrial Design

Graduate: Master of Architecture, Master of Science, Master of Professional Studies, Master of Industrial Design

Undergraduate

Degree Programs: Construction Management, Art History, Art and Design Education, Communications Design, Digital Arts, Fashion Design, Film, Fine Arts, Photography, Theory, Criticism, and History of Art Design and Architecture, Industrial Design, Interior Design, Critical and Visual Studies, Writing

Graduate Degree Programs:

Architecture (post-professional), Architecture and Urban Design, City and Regional Planning, Facilities Management, Historic Preservation, Urban Environmental Systems Management, Art and Design Education, Art Therapy and Creativity Development, Art Therapy with Special Needs Children, Arts and Cultural Management, Communications Design, Digital Arts, Dance/Movement Therapy, Design Management, Fine Arts, Industrial Design, Interior Design, Package Design, Theory, Criticism, and History of Art, Design and Architecture, Library and Information Science, Library and Information Science: Library Media Specialist

Advanced Certificate Programs:

Archives, Library and Information Studies, Library Media Specialist, Museum Libraries

Pratt offers 23 undergraduate degree programs - six associate and 17 baccalaureate - and 25 master's programs and six graduate dual degree programs across five schools. Twenty of the programs are offered by the school of Art, ten by the school of Design, and an additional 11 by the school of Architecture. The school of Liberal Arts and Sciences houses seven programs and the School of Information and Library Science offers two masters degrees and several dual degrees. The following degrees are conferred at Pratt Institute:

School of Architecture - Associate in Applied Science in Building and Construction, Bachelor of Architecture, Bachelor of Professional Studies in Construction Management, Bachelor of Science in Construction Management, Master of Architecture (first professional), Master of Science in Architecture (post-professional), Master of Science in Architecture and Urban Design, Master of Science in City and Regional Planning, Master of Science in Facilities Management, Master of Science in Historic Preservation, and Master of Science in Sustainable Environmental Systems.

School of Art - Associate in Applied Science in Graphic Design/Illustration, Associate in Applied Science in Painting/Drawing, Associate in Occupational Studies in Digital Design and Interactive Media, Associate in Occupational Studies in Graphic Design, Associate in Occupational Studies in Illustration, Bachelor of Fine Arts in Art and Design Education, Bachelor of Fine Arts in Digital Arts, Bachelor of Fine Arts in Film, Bachelor of Fine Arts in Fine Arts, Bachelor of Fine Arts in Photography, Bachelor of Fine Arts/Master of Science in Art and Design Education,

Advanced Certificate in Art and Design Education, Master of Science (initial certification) in Art and Design Education, Master of Science (professional certification) in Art and Design Education, Master of Professional Studies in Art Therapy and Creativity Development, Master of Professional Studies in Art Therapy with Special Needs Children, Master of Professional Studies in Arts and Cultural Management, Master of Science in Digital Arts, Master of Science in Dance/Movement Therapy, Master of Professional Studies in Design Management, and Master of Fine Arts in Fine Arts.

School of Design - Bachelor of Fine Arts in Communications Design, Bachelor of Fine Arts in Fashion Design, Bachelor of Industrial Design in Industrial Design, Bachelor of Fine Arts in Interior Design, Master of Science in Communications Design, Master of Industrial Design in Industrial Design, Master of Science in Interior Design, and Master of Science in Package Design.

School of Information and Library Science - Master of Science in Library and Information Science, Master of Science in Library and Information Science: Library Media Specialist, Advanced Certificate in Archives Certificate Program, Advanced Certificate in Library and Information Studies, Advanced Certificate in Library Media Specialist, and Advanced Certificate in Museum Libraries.

School of Liberal Arts and Sciences - Bachelor of Arts in Critical and Visual Studies, Bachelor of Arts in History of Art and Design, Bachelor of Fine Arts in History of Art and Design, Bachelor of Fine Arts in Writing, Master of Science in History of Art and Design, Master of Art in Media Studies, Master of Fine Arts in Writing.

Double Degrees - Master of Science/Master of Fine Arts in Library and Information Science/Digital Arts, Master of Science/Doctor of Law in Library and Information and Library Science/Law (with Brooklyn Law School), Master of Science/Master of Fine Arts in History of Art and Design/Fine Arts, and Master of Science/Master of Science in History of Art and Design/Information and Library Science, and Master of Science/Doctor of Law in Planning/Law (with Brooklyn Law School).

Munson-Williams-Proctor - Pratt also offers education to approximately 150 students at an extension center in Utica, New York, in a joint program, PrattMWP, with the Munson-Williams-Proctor Institute. Approximately 150 students take the first two years of Pratt's Bachelor of Fine Arts in Art and Design Education, Communication Design, Fine Arts and Photography at PrattMWP's location and finish the last two years at Pratt in Brooklyn. The curriculum at PrattMWP mirrors the curriculum at the Brooklyn campus.

In addition to undergraduate and graduate degrees, Pratt offers six credit certificate programs leading to an Advanced Certificate award and a number of non-credit certificates in English language proficiency through the Intensive English Program and in various areas through the Center for Continuing and Professional Studies ("CCPS"). Students who want to add cross-disciplinary knowledge to their major and deepen their understanding of specific areas of study can complete one of 15 minor programs currently offered by the School of Liberal Arts and Sciences, School of Art, School of Architecture, and School of Design.

The CCPS offers non-credit courses and certificates to non-traditional students and professionals, and courses for high school students and visiting college students. Additional opportunities for academic learning and personal growth are offered through various co-curricular programs, work-based experiences, and study abroad.

Accreditation

Pratt is a coeducational undergraduate and graduate institution chartered and empowered to confer academic degrees by the State of New York. The certificates and degrees conferred are registered by the New York State Education Department. Pratt maintains the following accreditations and associations:

- Middle States Commission on Higher Education

- National Architecture Accreditation Board (School of Architecture’s Bachelor in Architecture and Master in Architecture programs only)
- Council for Interior Design Accreditation (Bachelor of Art in Interior Design program only)
- Committee on Accreditation of the American Library Association (Master of Science program in Library and Information Science only)
- American Art Therapy Association (Master of Professional Studies in Art and Creative Development program only)
- National Association of Schools of Art and Design (the School of Art and Design only)
- Planning Accreditation Board (Master of Science in City and Regional Planning program only)
- American Dance Therapy Association (Master of Science in Dance Movement and Therapy program only)
- International Facilities Management Association (Master of Science in Facilities Management program only)
- Council for Accreditation of Educator Preparation (Bachelor of Fine Arts and Master in Art and Design Education programs only)

Governance

Pratt is governed by a Board of Trustees whose maximum membership shall not exceed 40 regular trustees. In addition, there is one faculty trustee and one faculty alternate trustee, one student trustee, and two recent graduate trustees. The Officers and current members of the Board of Trustees are:

<u>Name</u>	<u>Profession/Affiliation</u>
Bruce J. Gitlin, Chair of the Board	President and CEO, Milgo Industrial Inc.
Mike Pratt, Vice Chair of the Board	President and Executive Director The Scherman Foundation
Robert H. Siegel, Vice Chair of the Board	Founding Partner, FAIA, Gwathmey Siegel & Associates Architects LLC
Dr. Joshua L. Smith, Secretary	Professor Emeritus, New York University
Howard S. Stein, Treasurer	Retired, Managing Director, Operational Risk Global Corporate and Investment Bank Citigroup
Thomas F. Schutte	President Pratt Institute
Kurt B. Andersen	Writer
Deborah J. Buck	Artist, Designer and Owner, Buck House
Amy Cappellazzo	Chairman, Founder and Principal, Art Agency Partners
Kathryn C. Chenault	Attorney
Susan Hakkarainen	Vice President, Marketing & Communications, Lutron Electronics Inc. and Chief Creative Officer and Board Member, Ivalo Lighting Inc.

<u>Name</u>	<u>Profession/Affiliation</u>
Gary S. Hattem	Managing Director, Deutsche Bank and President, Deutsche Bank Americas Foundation and Community Development Finance Group
June Kelly	Owner, June Kelly Gallery
James D. Kuhn	President, Newmark Grubb Knight Frank
Roelfien Kuijpers	Managing Director, Global Head of DB Advisors, Deutsche Asset Management
Carolyn Bransford MacDonald	Trustee, The Halcyon Foundation Trustee Emerita, The American Museum in Britain Member of the Board, The American Associates of the National Theatre in London
David S. Mack	Senior Partner, The Mack Company
Katharine L. McKenna	Artist, Designer and Owner, KLM Studio
John Morning	President, John Morning Design, Inc.
David O. Pratt	Not For Profit Consultant
Ralph Pucci	President, Ralph Pucci International
Stan Richards	Principal, The Richards Group
Mark D. Stumer	Principal, Mojo-Stumer Associates, p.c.
Juliana C. Terian	Chairman of the Rallye Group
Anne H. Van Ingen	Former Director, Architecture, Planning & Design and Capital Projects, NYSCA, Current Adjunct Assistant Professor, Graduate School of Architecture, Planning and Preservation, Columbia University
David C. Walentas	Founding Partner Two Trees Management Co., LLC
Michael Zetlin	Attorney Zetlin & De Chiara LLP

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Heather Lewis
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Student and Recent Graduate Trustees

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Yasmeen Abdallah

Administration

President: Thomas F. Schutte was appointed the eleventh president of Pratt in August 1993 and has overall responsibility for the management of Pratt. Dr. Schutte has had an extensive career in higher education, spanning more than 35 years as an administrator and teacher. Prior to his post at Pratt, Dr. Schutte spent the previous decade working as President of the Rhode Island School of Design (“RISD”), where he led the school through a challenging and successful period of academic and administrative growth. Dr. Schutte has also served as President of the Philadelphia College of Art, and as Assistant Dean of the Wharton School, University of Pennsylvania. Dr. Schutte holds a B.A. in economics and geography from Valparaiso University, an M.B.A. from Indiana University, and a Ph.D. in Business Administration from the University of Colorado.

Provost: Peter L. Barna was appointed to the Office of the Provost effective September 19, 2003. He has over 30 years of diverse experience in various fields, including engineering, education, private consulting, contract management, lighting, industrial and interior design, and magazine publishing. As the senior academic officer of the Institution who oversees all academic functions, the Provost is the chief advisor to the President and manages the Institution in the President’s absence. Reporting to the Provost are the Deans of the Schools of Architecture, Art and Design, Information and Library Science, Liberal Arts and Academic Computing and the Director of the HEOP Program. Prior to his appointment, Mr. Barna served at Pratt for four years as the Director of the SPAN program, and for the past five years as a tenured Associate Professor in Industrial Design. Prior to joining Pratt, Mr. Barna served as a Visiting Instructor at the Fashion Institute of Technology in Interior Design and a Visiting Lecturer at the University of Maryland, School of Architecture. He also served as Senior Designer at Claude R. Engle Lighting in Washington D.C.; as Contract Manager at Truland Corporation in Washington, D.C.; as Assistant Engineer at Virginia Electric and Power; as President and Founder of Light and Space Associates in New York, New York; and as Lighting Editor at Interiors Magazine in New York, New York. He holds a B.S. in Electrical Engineering from Virginia Polytechnic Institute and an M.I.D. in Industrial Design from Pratt.

Vice President for Institutional Advancement: Todd Michael Galitz joined Pratt Institute in 2009 as Vice President for Institutional Advancement. Mr. Galitz is responsible for overseeing fundraising, alumni relations, and communications strategies for Pratt Institute. Since joining Pratt’s senior management team in 2009, he has led the Institute’s ambitious fundraising expansion and spearheaded the Institute’s 124th Anniversary programs in 2011-2012. Prior to his arrival at Pratt, Mr. Galitz served as Vice President of External Affairs at the Asia Society. In that capacity, he directed fundraising, membership programs, and visitor services for the Asia Society’s global operations and museum headquartered in New York, and worked with the institution’s nine centers throughout the U.S. and Asia. He led the Asia Society’s successful Asia 21 Capital campaign and 50th Anniversary Gala, and oversaw the creation of the Asia Society Business Council and Corporate Diversity Council. His twenty years in non-profit administration has also included fundraising and communications for Columbia University and Lincoln Center for the Performing Arts. Mr. Galitz received his Ph.D. in history from Brown University, and he graduated with honors from the University of Southern California with a degree in history and political science. He has taught at Brown University, Hunter College of the City University of New York, and Manhattan College and was a visiting fellow at the University of Warwick in Coventry, United Kingdom.

Vice President for Enrollment Management: Judith Aaron has served as Vice President for Enrollment since 1991. The Vice President for Enrollment is responsible for the development, implementation and evaluation of the marketing and recruitment strategy for the Institute as well as the strategic distribution of financial aid resources to achieve the Institute's enrollment goals. She came to Pratt in 1984 as Director of Continuing Education which became the School of Professional Studies and includes AOS degree programs, travel programs, conferences and other special programs. Ms. Aaron was formerly the Coordinator of Continuing Education at York College from 1981 to 1984. Ms. Aaron served as Director of Special Services for disadvantaged students (federally funded) from 1980 to 1981 and from 1976 to 1980, she was the coordinator of research administration for the Chancellor's office of the City University of New York where she prepared research reports dealing with remedial and academic programs and developed grant proposals. Ms. Aaron was the Media Resources Specialist for York College from 1974 to 1976. She received her Master of Information and Library Science and her B.A. in Psychology from Queens College.

Vice President for Finance and Administration: Edmund F. Rutkowski joined Pratt Institute as Vice President for Finance and Administration effective January 4, 1994. He brings over 20 years of higher education experience to the position. The Vice President for Finance and Administration provides leadership for the finance, human resources, physical plant, security, administrative computer services, art supply/bookstore, food services, budget and bursar. Prior to his service at the Institute, Mr. Rutkowski served in positions of increasing responsibility at Harcum College, Hudson County Community College, Fairleigh Dickinson University and Lehman College of the City University of New York. Prior to joining higher education, Mr. Rutkowski served in various administrative positions at such companies as Goodyear Tire & Rubber Company, Inmont Corporation, AIRCO and Engelhard Industries. Mr. Rutkowski received his Masters Degree in Business Administration from Fairleigh Dickinson University and his Bachelors Degree from Rider University.

Vice President for Student Affairs: Helen Matusow-Ayres was appointed to the Office of Vice President for Student Affairs, effective August 16, 2004. The Vice President for Student Affairs oversees the operations of Health, Counseling, Athletics, Career Services, International Student Affairs, Student Activities, the Judicial System, Disabled Student Services, Residence Life and Campus Ministry. Prior to her appointment, Ms. Matusow-Ayres served for over 25 years in areas of progressive responsibility in student development. At Montclair State University in Upper Montclair, New Jersey, she has served as the Dean of Students and as Montclair's interim vice president for student development and campus life. Prior to her appointment at Montclair, Ms. Matusow-Ayres was the associate dean of students at the New Jersey Institute of Technology in Newark following seven years as director of residence life at Manhattan College in the Bronx. Ms. Matusow-Ayres received an Ed.D. in Administration and Organization of Higher Education from Teachers College, Columbia University in 1988. She holds degrees in Student Personnel Administration, a Master of Science from Indiana University and a Bachelor of Arts from Alfred University.

Vice President for Information Technology/CIO: Joseph M. Hemway was appointed to the Office of the Vice President for Information Technology/CIO, effective June 13, 2006. The Vice President for Information Technology/CIO oversees the planning, budgeting and management of all administrative and academic computing efforts, management of Pratt's web space and portals, educational technology support and all support services. Mr. Hemway comes to Pratt with close to 25 years of experience in higher education technology while holding positions of increasing managerial responsibility. The role of his position is to provide technology leadership, vision, planning, budgeting, management and evaluation for the Institute. Prior to joining Pratt Institute Mr. Hemway held positions at Pace University, Barnard College, Monroe College and St. Francis College. Mr. Hemway received his Masters Degree in Information Systems from Pace University's Seidenberg School of Computer Science and Information Systems and his Bachelors Degree from St. Francis College.

OPERATING INFORMATION

Admissions

The following table sets forth the number of applications received for full-time admission to the Institute, the number and percentage of those applications accepted and the number and percentage of those accepted who enrolled, for the past five academic years:

<u>ADMISSIONS STATISTICS</u>					
	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
Undergraduate					
Applications	5,784	5,789	6,038	6,156	6,612
Acceptances	2,647	2,633	2,693	3,033	3,039
Acceptance Ratio	46%	45%	45%	49%	46%
Matriculants	738	650	671	675	654
Matriculant Ratio	28%	25%	25%	22%	22%
Graduate					
Applications	3,257	2,938	2,945	3,081	3,000
Acceptances	1,452	1,417	1,422	1,442	1,503
Acceptance Ratio	45%	48%	48%	47%	50%
Matriculants	588	527	545	503	477
Matriculant Ratio	40%	37%	38%	35%	32%

Enrollment

The Institute's enrollment during the past five academic years, based on fall registration, for both total undergraduate students and for all students on a full time equivalent ("FTE") basis, is shown below:

<u>ENROLLMENT SUMMARY</u>					
<u>Undergraduate</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
Full-Time	2,860	2,920	2,995	3,083	3,021
Part-Time	<u>201</u>	<u>148</u>	<u>121</u>	<u>122</u>	<u>113</u>
Total Undergraduate	3,061	3,068	3,116	3,205	3,134
 <u>Full-Time Equivalent</u>					
Undergraduate	2,967	3,009	3,069	3,149	3,084
Graduate	<u>1,616</u>	<u>1,569</u>	<u>1,523</u>	<u>1,408</u>	<u>1,311</u>
Total FTE	4,583	4,578	4,592	4,557	4,395

Total enrollment for the fall 2014 semester is expected to be 4,545 students, comprising 3,134 undergraduate students and 1,411 graduate students.

Tuition and Fees

Pratt's tuition and fee charges for undergraduate students (on an FTE basis) and for graduate students (on a per credit and per semester basis) for the last five academic years are summarized in the chart below:

TUITION AND OTHER STUDENT CHARGES

	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
<i>Undergraduate</i>					
Tuition	\$35,410	\$37,500	\$39,282	\$41,226	\$42,866
Standard Fees	1,680	1,810	1,810	1,900	1,938
Room and Board	<u>10,020</u>	<u>10,210</u>	<u>10,506</u>	<u>10,808</u>	<u>11,152</u>
TOTAL	\$47,110	\$49,520	\$51,598	\$53,934	\$55,956
<i>Graduate</i>					
School of Information and Library Science	\$18,270	\$19,350	\$20,268	\$21,276	\$22,122
All Others	\$22,734	\$24,084	\$25,236	\$26,478	\$27,540
Standard Fees	\$ 1,740	\$ 1,740	\$ 1,740	\$ 1,830	\$ 1,866

Scholarship and Grant Aid

The following charts summarize the sources, in dollar amount and percentage of support, of scholarship and grant aid for the last five fiscal years:

SOURCES OF UNDERGRADUATE SCHOLARSHIP AND GRANT AID

Fiscal Year Ended June 30,

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<u>Sources in Dollars</u>					
Institutional	\$26,901,383	\$29,968,568	\$33,909,716	\$37,700,864	\$40,723,258
New York State	1,452,661	1,307,394	1,214,709	1,185,135	1,044,473
Federal	<u>4,014,711</u>	<u>4,346,366</u>	<u>4,313,280</u>	<u>4,177,291</u>	<u>3,371,885</u>
TOTAL	\$32,368,754	\$35,622,327	\$39,437,705	\$43,063,290	\$45,509,615
<u>Sources in Percent</u>					
Institutional	83.1%	84.1%	86.0%	87.5%	89.5%
New York State	4.5%	3.7%	3.1%	2.8%	2.3%
Federal	<u>12.4%</u>	<u>12.2%</u>	<u>10.9%</u>	<u>9.7%</u>	<u>8.2%</u>
TOTAL	100%	100%	100%	100%	100%

Faculty

The Institute employs 157 full-time faculty members. The student faculty ratio is 8:1. Of the 157 full-time faculty, 61% are tenured.

Employee Relations

The Institute has a number of collective bargaining agreements currently covering its employees. The security employees are represented by Local 153 Office and Professional Employees International Union. The expiration date of the current agreement is October 31, 2016. The secretarial, clerical and technical personnel are represented by Local 153 Office and Professional Employees International Union through a separate unit. The contract will expire on June 30, 2015. Maintenance and custodial employees working in the apartment style residence hall located at 215 Willoughby Avenue, Brooklyn, New York are represented by Local 32B/32J Service Employees International Union. The contract is presently in force and will expire on April 20, 2018. Other maintenance and housekeeping personnel are represented by Local 311 of the National Conference of Firemen and Oilers/Service Employees International Union. The contract will expire on March 15, 2015. Faculty are represented by Local 1460 United Federation of College Teachers. The contract period expires August 31, 2015.

ANNUAL FINANCIAL STATEMENT INFORMATION

Institution Finances

The Institute's financial statements for the fiscal year ended June 30, 2014, with summarized comparative figures for June 30, 2013, were audited by KPMG LLP, independent auditors, and are included in Appendix B herein.

Summary of Statement of Activities

	<u>Fiscal Year Ended June 30,</u>				
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Operating revenue:					
Tuition and fees	\$ 147,099,715	\$ 157,012,228	\$ 165,726,598	\$ 173,301,515	\$ 181,915,677
Scholarship allowance	<u>(30,971,071)</u>	<u>(34,126,095)</u>	<u>(36,952,069)</u>	<u>(40,401,495)</u>	<u>(42,668,706)</u>
Net tuition and fees	116,128,644	122,886,133	128,774,529	132,900,020	139,246,971
State of New York appropriations	363,564	376,927	314,254	277,327	309,553
Contributions	4,144,524	3,118,166	3,927,717	8,455,164	3,811,010
Private grants and contracts	828,537	1,709,960	1,532,036	3,264,233	1,072,452
Government grants and contracts:					
Federal	1,993,051	2,414,301	2,147,217	2,004,546	1,255,599
State of New York	671,319	687,284	818,916	879,897	791,578
Local	39,999	619,294	390,500	327,493	183,969
Investment income	1,766,306	1,544,829	1,514,215	1,494,116	1,334,447
Interest and late charges on loans receivable	244,292	224,012	267,484	295,344	293,066
Sales and services of auxiliary enterprises	15,214,788	16,580,016	17,049,448	16,618,834	16,210,880
Other revenues	<u>3,091,633</u>	<u>3,194,446</u>	<u>4,127,077</u>	<u>4,425,543</u>	<u>3,719,543</u>
Total operating revenue	<u>144,486,657</u>	<u>153,355,368</u>	<u>160,863,393</u>	<u>170,942,517</u>	<u>168,229,068</u>

Fiscal Year Ended June 30,

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Expenses:					
Instruction	56,515,811	57,377,390	61,890,247	63,726,111	69,628,997
Public service	2,599,469	3,780,183	3,087,488	2,706,773	3,226,995
Academic support	13,735,587	15,674,491	17,888,780	20,530,084	21,494,837
Student services	14,028,652	15,637,955	17,464,578	17,668,691	17,793,480
Institutional support	26,407,590	28,931,088	28,329,507	31,034,619	33,042,345
Auxiliary enterprises	<u>19,522,065</u>	<u>20,648,235</u>	<u>23,494,188</u>	<u>22,569,324</u>	<u>23,183,596</u>
Total expenses	<u>132,809,174</u>	<u>142,049,342</u>	<u>152,154,788</u>	<u>158,235,602</u>	<u>168,370,250</u>
Insurance Recoveries	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>10,594,485</u>
Excess of operating revenue over expenses	11,677,483	11,306,026	8,708,605	12,706,915	10,453,303
Nonoperating activity:					
Net appreciation (depreciation) in fair value of investments	8,537,930	14,099,840	(1,795,375)	12,574,259	18,776,167
Unrealized appreciation (depreciation) in fair value of derivative instruments	(2,000,927)	456,471	(1,787,382)	1,958,778	485,039
Postretirement related changes other than net periodic postretirement benefit cost	<u>(4,698,421)</u>	<u>8,164,671</u>	<u>(7,738,667)</u>	<u>6,460,884</u>	<u>(9,964,435)</u>
Increase (decrease) in net assets	13,516,065	34,027,008	(2,612,819)	33,700,836	19,750,074
Net assets at beginning of year	<u>218,344,175</u>	<u>231,860,240</u>	<u>265,887,248</u>	<u>263,274,429</u>	<u>296,975,265</u>
Net assets at end of year	<u>\$ 231,860,240</u>	<u>\$ 265,887,248</u>	<u>\$ 263,274,429</u>	<u>\$296,975,265</u>	<u>\$316,725,339</u>

Management Discussion of Recent Financial Performance

The Institute's unrestricted operating revenues totaled \$169.2 million for the fiscal year ended June 30, 2014, up 2% over FY 2013 unrestricted revenues of \$166.4 million, and up 5% over FY 2012 unrestricted revenues of \$161.9 million. Gross tuition and fees totaled \$181.9 million for FY 2014, up 5% over FY 2013 level of \$173.3 million, and up 10% over FY 2012 gross tuition and fees of \$165.7 million. Student assistance totaled \$42.6 million in FY 2014, up 6% from FY 2013 and representing a tuition discount rate of 23%. Net tuition and fees for FY 2014 totaled approximately \$139.2 million, which accounted for 82% of the Institute's unrestricted operating revenues.

Auxiliary enterprises accounted for \$16.2 million in FY 2014, which comprised 10% of the Institute's total unrestricted operating revenues in FY 2014.

Unrestricted grants and contracts totaled \$3.0 million for FY 2014, accounting for 2% of total unrestricted operating revenues. Of the amount recorded, private sources represented 29%, Federal government sources represented 38%, and State and local government sources represented 33%.

Unrestricted expenses totaled \$168.3 million for FY 2014, up 6% from the prior year. As a result, Pratt recorded an excess of unrestricted operating revenue over expenses of \$11.4 million in FY 2014. Pratt has reported surplus total operating revenues in each of its last five years that have averaged \$10.9 million annually. Since FY 2010, the Institute's unrestricted net assets have increased from \$186.1 million to \$240.6 million as of June 30, 2014.

Gifts and Investments

At June 30, 2014 the fair market value of the Institute's investments was \$154,884,364. Over the last five fiscal years, the Institute has received the following private contributions:

	<u>Year Ended June 30,</u>				
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Unrestricted Revenue	\$2,723,653	\$2,947,187	\$2,539,656	\$5,861,299	\$2,387,058
Temporarily Restricted Revenue	1,440,129	1,458,195	2,435,721	2,441,737	1,703,222
Permanently Restricted Revenue	<u>809,277</u>	<u>422,744</u>	<u>484,376</u>	<u>3,416,361</u>	<u>793,182</u>
TOTALS	\$4,973,060	\$4,828,126	\$5,459,753	\$11,719,397	\$4,883,462

Plant Values

The following table shows the gross book value of the physical plant for the past five fiscal years.

	<u>Year Ended June 30,</u>				
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Land	\$ 8,434,519	\$ 8,434,519	\$ 21,098,556	\$21,098,556	\$21,098,556
Buildings, equipment, and leasehold improvements	242,934,077	309,142,173	318,352,297	320,097,591	332,706,987
Library books	216,373	224,060	227,478	230,898	231,188
Construction in progress	43,747,871	0	0	0	0
Accumulated depreciation	<u>(71,012,187)</u>	<u>(79,904,630)</u>	<u>(90,748,333)</u>	<u>(94,528,513)</u>	<u>(102,420,165)</u>
TOTALS	<u>\$224,320,653</u>	<u>\$237,896,122</u>	<u>\$248,929,998</u>	<u>\$246,898,522</u>	<u>\$251,616,566</u>

Outstanding Indebtedness

The Institute's long-term debt at June 30, 2014, including bonds payable and obligations payable under derivative instruments, totaled \$101.7 million. At June 30, 2014, the Institute was indebted to DASNY for the loans made to the Institute by DASNY from the proceeds of the Series 2009A Bonds, the Series 2009B Bonds and the Series 2009C Bonds. The Series 2009A Bonds and the Series 2009B Bonds will be redeemed with proceeds derived from the issuance of the Series 2015A Bonds. At June 30, 2014, the outstanding principal amount of the Series 2009A Bonds was approximately \$28.5 million, the outstanding principal amount of the Series 2009B Bonds was approximately \$16 million and the outstanding principal amount of the Series 2009C Bonds was approximately \$46.6 million. The Institute is indebted to RBS Citizens, N.A. on a note for a loan taken to finance the construction of the commercial space in the Myrtle Hall Building (the "RBS Citizens Loan"). At June 30, 2014, the outstanding principal amount of such note was \$8,000,000.

Pension and Post Retirement Plans

The Institute participates in the Teachers' Insurance & Annuity Associates/College Retirement Equities Fund covering eligible employees associated with the Institute. Total pension expense of this defined contribution plan to the Institute for the fiscal years ended June 30, 2014 and 2013 was \$2,017,773 and \$1,848,046, respectively. The Institute also sponsors a postretirement healthcare plan that covers all full-time employees. During the year ended June 30,

2014, \$9.9 million was recorded as postretirement related changes other than net periodic postretirement benefit cost. As of June 30, 2014, the Institute has an accrued postretirement benefit obligation of \$82.7 million. The Institution has no unfunded pension liabilities.

LITIGATION

There is presently no litigation pending or, to the knowledge of management, threatened against the Institute for which adequate insurance coverage does not exist or which would have a material adverse effect on the Institute's financial position or its ability to fulfill its obligations under the Loan Agreement.

PART 5 – THE PROJECT

The Project consists of the various works and improvements more particularly described below, the costs of some of which will be paid from the proceeds of the Series 2015A Bonds. Proceeds of the Series 2015A Bonds will also be applied to redeem the Series 2009A&B Bonds, which financed or refinanced other works and improvements that are a part of the Project. Set forth below is a description of the components of the Project that will be financed by the Series 2015A Bonds, as well as the components of the Project that were financed by either the Series 2009A&B Bonds or prior bonds refinanced by the Series 2009A&B Bonds.

Projects Financed by the Series 2015A Bonds

Proceeds of the Series 2015A Bonds will be applied to pay the Costs of:

- (i) the acquisition, construction and equipping of a residential facility of up to eight stories to be located on the Institute's Brooklyn Campus to house approximately 200 students and certain related administrative space;
- (ii) the acquisition of an existing five story residential facility located at 100 Grand Avenue, in the Borough of Brooklyn, New York, New York to house approximately 48 Students; and
- (iii) the renovation of the existing Student Union located on the Institute's Brooklyn Campus.

Projects Refinanced by the Series 2015A Bonds

The following components of the Project were initially financed by DASNY's Pratt Institute Insured Revenue Bonds, Series 1999, which were refunded by the Series 2009A Bonds:

- (i) the construction, renovation and equipping of the Leo J. Pantas Residence Hall, a residential facility housing approximately 224 students, located on the Institute's Brooklyn Campus;
- (ii) the construction and equipping of the Vincent A. Stabile Residence Hall, a residential facility housing approximately 224 students, located on the Institute's Brooklyn Campus; and
- (iii) the acquisition, renovation and furnishing of a condominium unit consisting of six floors within a building located at 144 West 14th Street, in the Borough of Manhattan, New York, New York, containing academic and administrative facilities.

The following components of the Project were initially financed by DASNY's Pratt Institute Insured Revenue Bonds, Series 2005, which were refunded by the Series 2009B Bonds:

(i) the construction of a book and art supply store located at 550 Myrtle Avenue, in the Borough of Brooklyn, New York, New York;

(ii) the construction of an addition to Higgins Hall, located at 61 St. James Place, in the Borough of Brooklyn, New York, New York.

The following components of the Project were initially financed by the Series 2009B Bonds:

(i) a portion of the cost of the acquisition, renovation and equipping of a condominium unit consisting of five floors within a six-story building located 524 Myrtle Avenue, in the Borough of Brooklyn, New York, New York; and

(ii) the renovation of Steuben Hall located on the Institute’s Brooklyn Campus.

PART 6 – ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds are as follows:

Sources of Funds

Principal Amount of Series 2015A Bonds	\$ 73,670,000.00
Funds Held by Prior Trustees	2,864,304.05
Plus: Net Original Premium.....	<u>8,915,148.40</u>
Total Sources.....	<u>\$ 85,449,452.45</u>

Use of Funds

Deposit to Project Account	\$ 41,600,000.00
Redemption of Series 2009A&B Bonds	42,580,000.00
Costs of Issuance ¹	697,912.45
Underwriter’s Discount.....	<u>571,540.00</u>
Total Uses	<u>\$ 85,449,452.45</u>

¹ Includes legal fees, DASNY fee and other costs related to the issuance of the Series 2015A Bonds.

PART 7 – DASNY

Background, Purposes and Powers

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

DASNY provides financing services to its clients in three major areas: public facilities; not-for-profit healthcare; and independent higher education and other not-for-profit institutions. DASNY issues State-supported debt, including State Personal Income Tax Revenue Bonds and State Sales Tax Revenue Bonds, on behalf of public clients such as The

State University of New York, The City University of New York, the Departments of Health and Education of the State, the Office of Mental Health, the Office of People with Developmental Disabilities, the Office of Alcoholism and Substance Abuse Services, the Office of General Services, and the Office of General Services of the State on behalf of the Department of Audit and Control. Other public clients for whom DASNY issues debt include Boards of Cooperative Educational Services (“BOCES”), State University of New York, the Workers’ Compensation Board, school districts across the State and certain cities and counties that have accessed DASNY for the purpose of providing court facilities. DASNY’s private clients include independent colleges and universities, private hospitals, certain private secondary schools, special education schools, facilities for the aged, primary care facilities, libraries, museums, research centers and government-supported voluntary agencies, among others.

To carry out its programs, DASNY is authorized to issue and sell negotiable bonds and notes to finance the construction of facilities for such institutions, to issue bonds or notes to refund outstanding bonds or notes and to lend funds to such institutions. At September 30, 2014, DASNY had approximately \$45 billion aggregate principal amount of bonds and notes outstanding. DASNY also is authorized to make tax-exempt leases, with its Tax-Exempt Leasing Program (TELP). As part of its operating activities, DASNY also administers a wide variety of grants authorized by the State for economic development, education and community improvement and payable to both public and private grantees from proceeds of State Personal Income Tax Revenue Bonds issued by DASNY.

DASNY is a conduit debt issuer. Under existing law, and assuming continuing compliance with tax law, interest on most bonds and notes issued by DASNY has been determined to be excludable from gross income for federal tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended. All of DASNY’s outstanding bonds and notes, both fixed and variable rate, are special obligations of DASNY payable solely from payments required to be made by or for the account of the client institution for which the particular special obligations were issued. DASNY has no obligation to pay its special obligations other than from such payments. DASNY has always paid the principal of and interest on all of its obligations on time and in full; however, as a conduit debt issuer, payments on DASNY’s special obligations are solely dependent upon payments made by DASNY’s client for which the particular special obligations were issued and the security provisions relating thereto.

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

In connection with the powers described above, DASNY has the general power to acquire real and personal property, give mortgages, make contracts, operate certain facilities and fix and collect rentals or other charges for their use, contract with the holders of its bonds and notes as to such rentals and charges, borrow money and adopt a program of self-insurance.

DASNY has a staff of approximately 520 employees located in three main offices (Albany, New York City and Buffalo) and at approximately 55 field sites across the State.

Governance

DASNY is governed by an eleven-member board. Board members include the Commissioner of Education of the State, the Commissioner of Health of the State, the State Comptroller or one member appointed by him or her who serves until his or her successor is appointed, the Director of the Budget of the State, one member appointed by the Temporary President of the State Senate, one member appointed by the Speaker of the State Assembly and five members appointed by the Governor, with the advice and consent of the Senate, for terms of three years. The Commissioner of Education of the State, the Commissioner of Health of the State and the Director of the Budget of the State each may appoint a representative to attend and vote at DASNY meetings. The members of DASNY serve

without compensation, but are entitled to reimbursement of expenses incurred in the performance of their duties. One of the appointments to the Board by the Governor is currently vacant.

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

The current members of DASNY are as follows:

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

Alfonso L. Carney, Jr. was reappointed as a Member of DASNY by the Governor on June 19, 2013. Mr. Carney is a principal of Rockwood Partners, LLC, which provides medical consulting services in New York City. He has served as Acting Chief Operating Officer and Corporate Secretary for the Goldman Sachs Foundation in New York where, working with the President of the Foundation, he managed the staff of the Foundation, provided strategic oversight of the administration, communications and legal affairs teams, and developed selected Foundation program initiatives. Mr. Carney has held senior level legal positions with Altria Group Inc., Philip Morris Companies Inc., Philip Morris Management Corporation, Kraft Foods, Inc. and General Foods Corporation. Mr. Carney holds a Bachelor's degree in philosophy from Trinity College and a Juris Doctor degree from the University of Virginia School of Law. His current term expires on March 31, 2016.

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

John B. Johnson, Jr. was reappointed as a Member of DASNY by the Governor on June 19, 2013. Mr. Johnson is Chairman of the Board of the Johnson Newspaper Corporation, which publishes the Watertown Daily Times, Batavia Daily News, Malone Telegram, Catskill Daily Mail, Hudson Register Star, Ogdensburg Journal, Massena-Potsdam Courier Observer, seven weekly newspapers and three shopping newspapers. He holds a Bachelor's degree from Vanderbilt University, and Master's degrees in Journalism and Business Administration from the Columbia University Graduate School of Journalism and Business. Mr. Johnson was awarded an Honorary Doctor of Science degree from Clarkson University. Mr. Johnson's term expires on March 31, 2016.

SANDRA M. SHAPARD, *Secretary*, Delmar.

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

JONATHAN H. GARDNER, Esq., Buffalo.

Jonathan H. Gardner was appointed as a Member of DASNY by the Governor on June 17, 2014. Mr. Gardner is a partner of the law firm Kavinoky Cook, LLP in Buffalo, New York. His practice areas include corporate and securities law, commercial transactions, private placements, venture capital financing and business combinations representing private and public companies. Mr. Gardner is also an adjunct professor at the University of Buffalo Law School. He

holds a Bachelor of Arts degree from Brown University and a Juris Doctor degree from the University of Chicago Law School. Mr. Gardner's term expires on March 31, 2015.

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

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

GERARD ROMSKI, Esq., Mount Kisco.

Gerard Ronski was reappointed as a Member of DASNY by the Temporary President of the State Senate on June 21, 2012. He is Counsel and Project Executive for "Arverne by the Sea," where he is responsible for advancing and overseeing all facets of "Arverne by the Sea," one of New York City's largest mixed-use developments located in Queens, New York. Mr. Ronski is also of counsel to the New York City law firm of Rich, Intelisano & Katz, LLP. Mr. Ronski holds a Bachelor of Arts degree from the New York Institute of Technology and a Juris Doctor degree from Brooklyn Law School.

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

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

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

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

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

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

University School of Medicine. He also holds a J.D. from Fordham University School of Law and a LL.M. from Columbia Law School.

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

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

The principal staff of DASNY is as follows:

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

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

PORTIA LEE is the Managing Director of Public Finance and Portfolio Monitoring. She is responsible for supervising and directing DASNY bond issuance in the capital markets, implementing and overseeing financing programs, overseeing DASNY's compliance with continuing disclosure requirements and monitoring the financial condition of existing DASNY clients. Ms. Lee previously served as Senior Investment Officer at the New York State Comptroller's Office where she was responsible for assisting in the administration of the long-term fixed income portfolio of the New York State Common Retirement Fund, as well as the short-term portfolio, and the Securities Lending Program. From 1995 to 2005, Ms. Lee worked at Moody's Investors Service where she most recently served as Vice President and Senior Credit Officer in the Public Finance Housing Group. She holds a Bachelor's degree from the State University of New York at Albany.

LINDA H. BUTTON is the Acting Chief Financial Officer and Treasurer of DASNY. Ms. Button oversees and directs the activities of the Office of Finance. She is responsible for supervising DASNY's investment program, general accounting, accounts payable, accounts receivable and financial reporting functions, as well as the development and implementation of financial policies, financial management systems and internal controls for financial reporting. Ms.

Button has served in various capacities at DASNY over a long career, most recently as Director, Financial Management in the Office of Finance. She holds a Bachelor of Business Administration degree in Accounting from Siena College.

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

STEPHEN D. CURRO, P.E. is the Managing Director of Construction. Mr. Curro is responsible for DASNY's construction groups, including design, project management, purchasing, contract administration, interior design, and engineering and other technology services. Mr. Curro joined DASNY in 2001 as Director of Technical Services, and most recently served as Director of Construction Support Services. He is a registered Professional Engineer in New York and has worked in the construction industry for more than 30 years. He holds a Bachelor of Science in Civil Engineering from the University of Rhode Island, a Master of Engineering in Structural Engineering from Rensselaer Polytechnic Institute and a Master of Business Administration from Rensselaer Polytechnic Institute's Lally School of Management.

Claims and Litigation

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

Other Matters

New York State Public Authorities Control Board

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

Legislation

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

Environmental Quality Review

DASNY complies with the New York State Environmental Quality Review Act and with the New York State Historic Preservation Act of 1980, and the respective regulations promulgated thereunder to the extent such acts and regulations are applicable.

Independent Auditors

The accounting firm of KPMG LLP audited the financial statements of DASNY for the fiscal year ended March 31, 2014. Copies of the most recent audited financial statements are available upon request at the offices of DASNY.

PART 8 – LEGALITY OF THE SERIES 2015A BONDS FOR INVESTMENT AND DEPOSIT

Under New York State law, the Series 2015A 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 2015A 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 2015A Bonds shall be negotiable instruments as provided in the Act, subject to the provisions for registration and transfer contained in the Resolution and in the Series 2015A Bonds.

PART 10 – TAX MATTERS

Federal Income Taxes

The Code imposes certain requirements that must be met subsequent to the issuance and delivery of the Series 2015A Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Series 2015A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Series 2015A Bonds. Pursuant to the Series 2015A Resolution, the Loan Agreement and the Tax Certificate executed in connection with the original authentication and delivery of the Series 2015A Bonds, DASNY and the Institute have covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Series 2015A Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, DASNY and the Institute have made certain representations and certifications in the Series 2015A Resolution, the Loan Agreement and the Tax Certificate. Co-Bond Counsel will also rely on the opinion of Cullen and Dykman LLP, counsel to the Institute, as to all matters concerning the status of the Institute as an organization described in Section 501(c)(3) of the Code and exempt from federal income tax under Section 501(a) of the Code. Co-Bond Counsel will not independently verify the accuracy of those representations and certifications or that opinion.

In the opinion of Nixon Peabody LLP, Co-Bond Counsel, under existing law and assuming compliance with the aforementioned covenants, and the accuracy of certain representations and certifications made by DASNY and the Institute described above, interest on the Series 2015A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Nixon Peabody LLP is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Nixon Peabody LLP expresses no opinion as to whether interest on any portion of the Series 2015A Bonds is excluded from the adjusted current earnings of corporations for purposes of computing the alternative minimum tax imposed on corporations.

State Taxes

Nixon Peabody LLP and Drohan Lee LLP, Co-Bond Counsel, are also of the opinion that interest on the Series 2015A Bonds is exempt from personal income taxes of the State of New York and its political subdivisions, including The City of New York and the City of Yonkers. Co-Bond Counsel expresses no opinion as to other state or local tax consequences arising with respect to the Series 2015A Bonds nor as to the taxability of the Series 2015A Bonds or the income therefrom under the laws of any state other than New York.

Original Issue Discount

Nixon Peabody LLP is further of the opinion that the difference between the principal amount of the Series 2015A Bonds maturing on July 1, 2027 and on July 1, 2036 (collectively, the “Discount Bonds”) and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Discount Bonds of the same maturity was sold constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Series 2015A Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Discount Bonds, even though there will not be a corresponding cash payment. Owners of the Discount Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Discount Bonds.

Original Issue Premium

The Series 2015A Bonds maturing on July 1, 2015 through July 1, 2026, inclusive, on July 1, 2028 through July 1, 2034, inclusive, and on July 1, 2039 and July 1, 2044 (collectively, the “Premium Bonds”), are being offered at prices in excess of their principal amounts. An initial purchaser with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser’s yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser’s yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser’s adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Bonds.

Ancillary Tax Matters

Ownership of the Series 2015A Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, property and casualty insurance companies, individuals receiving Social Security or Railroad Retirement benefits and individuals seeking to claim the earned income credit. Ownership of the Series 2015A Bonds may also result in other federal tax consequences to taxpayers who may be deemed to have incurred or continued indebtedness to purchase or to carry the Series 2015A Bonds. Prospective investors are advised to consult their own tax advisors regarding these rules.

Interest paid on tax-exempt obligations such as the Series 2015A Bonds is subject to information reporting to the Internal Revenue Service (the “IRS”) in a manner similar to interest paid on taxable obligations. In addition, interest on the Series 2015A Bonds may be subject to backup withholding if such interest is paid to a registered owner that (a) fails

to provide certain identifying information (such as the registered owner's taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Co-Bond Counsel is not rendering any opinion as to any federal tax matters other than those described in the opinion attached as Appendix E. Prospective investors, particularly those who may be subject to special rules described above, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Series 2015A Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Changes in Law and Post Issuance Events

Legislative or administrative actions and court decisions, at either the federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the Series 2015A Bonds for federal or state income tax purposes, and thus on the value or marketability of the Series 2015A Bonds. This could result from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of the interest on the Series 2015A Bonds from gross income for federal or state income tax purposes, or otherwise. We note that in each year since 2011, President Obama released legislative proposals that would limit the extent of the exclusion from gross income of interest on obligations of states and political subdivisions under Section 103 of the Code (including the Series 2015A Bonds) for taxpayers whose income exceeds certain thresholds. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of holders of the Series 2015A Bonds may occur. Prospective purchasers of the Series 2015A Bonds should consult their own tax advisors regarding such matters.

Co-Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the Series 2015A Bonds may affect the tax status of interest on the Series 2015A Bonds. Co-Bond Counsel expresses no opinion as to any federal, state or local tax law consequences with respect to the Series 2015A Bonds, or the interest thereon, if any action is taken with respect to the Series 2015A Bonds or the proceeds thereof upon the advice or approval of other counsel.

PART 11 – STATE NOT LIABLE ON THE SERIES 2015A BONDS

The Act provides that notes and bonds of DASNY shall not be a debt of the State nor shall the State be liable thereon, nor shall such notes or bonds be payable out of any funds other than those of DASNY. The Resolution specifically provides that the Series 2015A Bonds shall not be a debt of the State nor shall the State be liable thereon.

PART 12 – COVENANT BY THE STATE

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

PART 13 – LEGAL MATTERS

Certain legal matters incidental to the authorization and issuance of the Series 2015A Bonds by DASNY are subject to the approval of Nixon Peabody LLP, New York, New York, and Drohan Lee LLP, New York, New York, Co-Bond Counsel to DASNY, whose approving opinions will be delivered with the Series 2015A Bonds. The proposed form of Co-Bond Counsel’s opinions is set forth in Appendix E hereto.

Certain legal matters will be passed upon for the Institution by its Counsel, Cullen and Dykman LLP, Garden City, New York. Certain legal matters will be passed upon for the Underwriter by its Counsel, Cozen O’Connor, New York, New York.

There is no pending litigation restraining or enjoining the issuance or delivery of the Series 2015A Bonds or questioning or affecting the validity of the Series 2015A Bonds or the proceedings and authority under which they are to be issued. There is no litigation pending which in any manner questions the right of DASNY to finance the Project in accordance with the provisions of the Act, the Resolution, the Series 2015A Resolution and the Loan Agreement.

PART 14 – UNDERWRITING

Janney Montgomery Scott LLC (the “Underwriter”), has agreed, subject to certain conditions, to purchase the Series 2015A Bonds from DASNY at an aggregate purchase price of \$82,013,608.40 (reflecting a net original issue premium of \$8,915,148.40 and an Underwriter’s discount of \$571,540.00) and to make a public offering of the Series 2015A Bonds at prices (or yields) that are not in excess of the public offering prices (or less than the yields) stated on the cover page of this Official Statement.

The Series 2015A Bonds may be offered and sold to certain dealers (including the Underwriter) at prices lower than such public offering prices, or in the case of obligations sold on a yield basis, at yields other than shown on the cover of this Official Statement, and such public offering prices or yields may be changed, from time to time, by the Underwriter.

PART 15 – CONTINUING DISCLOSURE

In order to assist the Underwriter in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission (“Rule 15c2-12”), the Institution has undertaken in a written agreement (the “Continuing Disclosure Agreement”) for the benefit of the Bondholders of the Series 2015A Bonds to provide to Digital Assurance Certification LLC (“DAC”), on behalf of DASNY as DASNY’s disclosure dissemination agent, on or before 150 days after the end of each fiscal year of the Institution, commencing with the fiscal year ending June 30, 2015, 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 4 – THE INSTITUTION” of this Official Statement (the “Annual Information”), together with the Institution’s annual financial statements certified by an independent auditor as prepared in accordance with generally accepted accounting principles; 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 Institution, DAC has undertaken in the Continuing Disclosure Agreement, on behalf of and as agent for the Institution and DASNY, to promptly file such information and financial statements with the MSRB.

The Annual Information will consist of the following: (a) operating data and financial information of the type included in this Official Statement in “PART 4 – THE INSTITUTION” under the heading “OPERATING INFORMATION” and “ANNUAL FINANCIAL STATEMENT INFORMATION” relating to: (1) *student admissions*,

similar to that set forth under the heading “ADMISSIONS STATISTICS,” (2) *student enrollment*, similar to that set forth under the heading, “ENROLLMENT SUMMARY,” (3) *tuition and other student charges*, similar to that set forth under the heading, “TUITION AND OTHER STUDENT CHARGES,” (4) *financial aid*, similar to that set forth under the heading, “SOURCES OF UNDERGRADUATE SCHOLARSHIP AND GRANT AID,” (5) *faculty*, similar to that set forth under the heading, “Faculty,” (6) *employee relations*, including material information about union contracts and, unless such information is included in the audited financial statements of the Institution, retirement plans; (7) *endowment and similar funds*, unless such information is included in the audited financial statements of the Institution; (8) *plant values*, unless such information is included in the audited financial statements of the Institution; and (9) *outstanding long-term indebtedness*, unless such information is included in the audited financial statements of the Institution; 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 Institution and in judging the financial and operating condition of the Institution.

The Institution also will undertake in the Continuing Disclosure Agreement to provide to DASNY, the Trustee and DAC, within 10 business days of the occurrence of a Notice Event (as hereinafter defined), the notices required to be provided by Rule 15c2-12 and described below (the “Notices”). Upon receipt of Notices from the Institution, DASNY or the Trustee, DAC will promptly file the Notices with the MSRB. With respect to the Series 2015A 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 Institution, DASNY or the Trustee has provided such information to DAC as required by the Continuing Disclosure Agreement. DAC has no duty with respect to the content of any disclosure or Notices made pursuant to the terms of the Continuing Disclosure Agreement and DAC has no duty or obligation to review or verify any information contained in the Annual Information, audited financial statements, Notices or any other information, disclosures or notices provided to it by the Institution, DASNY or the Trustee and shall not be deemed to be acting in any fiduciary capacity for DASNY, the Institution, the Bondholders of the Series 2015A Bonds or any other party. DAC has no responsibility for the failure of the Institution or DASNY 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 Institution or DASNY has complied with the Continuing Disclosure Agreement and DAC may conclusively rely upon certifications of the Institution and DASNY with respect to their respective obligations under the Continuing Disclosure Agreement. In the event the obligations of DAC as DASNY’s disclosure dissemination agent terminate, DASNY will either appoint a successor disclosure dissemination agent or, alternatively, assume all responsibilities of the disclosure dissemination agent for the benefit of the Bondholders of the Series 2015A Bonds.

Neither DASNY nor the Trustee have undertaken any responsibility, and shall not be required to undertake any responsibility, with respect to any reports, notices or disclosures required by or provided pursuant to the Continuing Disclosure Agreement and shall have no liability to any person, including any Holder of the Bonds, with respect to any such reports, notices or disclosures.

The Notices include notices of any of the following events (the “Notice Events”) with respect to the Series 2015A 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 2015A Bonds; (7) modifications to the rights of Bondholders of the Series 2015A Bonds, if material; (8) bond calls, if material; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Series 2015A Bonds, if material; (11) rating changes; (12) tender offers; (13) bankruptcy, insolvency, receivership or similar event of the Institution; (14) merger, consolidation or acquisition of the Institution, 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 Bondholders of the Series 2015A Bonds, to provide to the MSRB in a timely manner, notice of any failure by the Institution to provide the Annual Information and audited financial statements by the date required in the Institution’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 parties’ obligations under the Continuing Disclosure Agreement, and no

person, including any Bondholder of the Series 2015A Bonds, may recover monetary damages thereunder under any circumstances. A breach or default under the Continuing Disclosure Agreement shall not constitute an Event of Default under the Resolution, the Series 2015A 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, will no longer be required to be provided.

The foregoing undertaking is intended to set forth a general description of the type of financial information and operating data that will be provided; the description is not intended to state more than general categories of financial information and operating data; and where an undertaking calls for information that no longer can be generated 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 the consent of the Bondholders of the Series 2015A 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 2015A Bonds will be on file at the principal office of DASNY.

Prior Undertakings and Compliance

The Institution entered into a continuing disclosure undertaking in connection with the issuance of the Series 2009C Bonds (the “Series 2009C Undertaking”) pursuant to which the Institution agreed to annually file its audited financial statements (provided, however, that if audited financial statements are not then available, unaudited financial statements are to be delivered) (the “Financial Statements”), certain operating information (the “Operating Information”) and event notices with the MSRB. During the previous five years, the Institution has not complied with the Series 2009C Undertaking as described in the following sentence: The Institution failed to file Operating Information for the fiscal year ended June 30, 2010 and filed its Financial Statements for the fiscal year ended June 30, 2010 approximately eleven months late. The Institution filed a notice of such omission and has now filed Operating Information for the fiscal year ended June 30, 2010 to correct such omitted filing.

As of the date hereof, the Institution is currently in compliance in all material respects with the Series 2009C Undertaking. The Institution has implemented procedures to ensure that any future filings will be made in a timely manner in accordance with its continuing disclosure obligations.

PART 16 – FINANCIAL ADVISOR

Fairmount Capital Advisors, Inc. (“Fairmount”) has served as financial advisor to the Institute with respect to the sale of the Series 2015A Bonds. Fairmount is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for, the accuracy, completeness or fairness of the information contained in this Official Statement. Fairmount assisted in matters relating to the planning, structuring and issuance of the Series 2015A Bonds, and provided other financial advice. Fairmount is a financial advisory and consulting organization and is not engaged in the underwriting, marketing or trading of municipal securities or other negotiable instruments.

PART 17 – RATINGS

Moody’s Investors Service, Inc. (“Moody’s”) has assigned a rating of “A3” to the Series 2015A Bonds. Such rating reflects only the views of such organization and any desired explanation of the significance of such rating should be obtained from the rating agency at the following address: Moody’s, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. There is no assurance that such rating will prevail for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Series 2015A Bonds.

PART 18 – MISCELLANEOUS

Reference in this Official Statement to the Act, the Resolution, the Series 2015A Resolution, the Loan Agreement and the Mortgage do not purport to be complete. Refer to the Act, the Resolution, the Series 2015A Resolution, the Loan Agreement and the Mortgage for full and complete details of their provisions. Copies of the Resolution, the Series 2015A Resolution, the Loan Agreement and the Mortgage are on file with DASNY and the Trustee.

The agreements of DASNY with Holders of the Series 2015A Bonds are fully set forth in the Resolution and the Series 2015A Resolution. Neither any advertisement of the Series 2015A Bonds nor this Official Statement is to be construed as a contract with purchasers of the Series 2015A 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 Institution and the Project was supplied by the Institution. DASNY believes that this information is reliable, but DASNY and the Underwriter make no representations or warranties whatsoever as to the accuracy or completeness of this information.

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

“Appendix A - Definitions,” “Appendix C – Summary of Certain Provisions of the Loan Agreement,” “Appendix D – Summary of Certain Provisions of the Resolution” and “Appendix E – Form of Approving Opinion of Co-Bond Counsel” have been prepared by Nixon Peabody LLP, New York, New York, and Drohan Lee LLP, New York, New York, Co-Bond Counsel.

“Appendix B – Financial Statements of Pratt Institute (With Independent Auditors’ Report Thereon)” contains the audited financial statements of the Institution for the fiscal year ended June 30, 2014 and the report of the Institution’s independent auditors, KPMG LLP, on such financial statements.

The Institution has reviewed the parts of this Official Statement describing the Institution, the Principal and Interest Requirements, the Project, the Estimated Sources and Uses of Funds and Appendix B. It is a condition to the sale and delivery of the Series 2015A Bonds that the Institution certify as of the dates of sale and delivery of the Series 2015A Bonds that such parts do not contain any untrue statement of a material fact and do not omit any material fact necessary to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading.

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

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

DORMITORY AUTHORITY OF THE STATE OF NEW YORK

By: /s/ Authorized Officer
Authorized Officer

CERTAIN DEFINITIONS

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CERTAIN DEFINITIONS

The following are definitions of certain of the terms defined in the Resolution, the Series 2015A Resolution or the Loan Agreement, and used in this Official Statement. Unless otherwise indicated, the terms summarized below have, in all material respects, the same meaning in the Loan Agreement or the Resolution.

“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 Construction 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 as more particularly described in the Loan Agreement.

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

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

“Authority Fee” means the fee payable to the Authority consisting of all of the Authority’s internal costs and overhead expenses attributable to the issuance of the Series 2015A Bonds and the construction of the Project as more particularly described in the Loan Agreement.

“Authorized Denominations” means \$5,000 or any integral multiple thereof.

“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 Management, the Managing Director of Construction, and the General Counsel and the Deputy 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 Institute, when used with reference to any act or document, means the person or persons authorized by a resolution or the by–laws of the Institute 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.

“Bank” means any bank that has issued a letter of credit in accordance with the Series Resolution and the Bond Series Certificate relating to a particular Series of Bonds.

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

“Bond Counsel” means Nixon Peabody LLP, or an attorney or other law firm appointed by the Authority, having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds.

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

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

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

“Book Entry Bond” means a Bond authorized to be issued, 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.

“Cash and Investments” means all cash and investments of the Institute, other than (i) those that are permanently restricted and (ii) the nominal value of cash and the fair market value of investments that have been encumbered by liens given pursuant to secure obligations that do not constitute Debt.

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

“Construction Fund” means the fund so designated, created and established for a Project by or pursuant to a Series Resolution authorizing the issuance of a Series of Bonds for the purpose of paying or refinancing the Costs of such Project.

“Contract Documents” means any general contract or agreement for the construction of the Project, notice to bidders, information for bidders, form of bid, general conditions, supplemental general conditions, general requirements, supplemental general requirements, bonds, plans and specifications, addenda, change orders, and any other documents entered into or prepared by or on behalf of the Institute relating to the construction of the Project, and any amendments to the foregoing.

“Cost” or “Costs of Issuance” means the items of expense incurred in connection with the authorization, sale and issuance of the Bonds, which items of expense shall include, but not be limited to, document printing and reproduction costs, filing and recording fees, costs of credit ratings, initial fees and charges of the Trustee or a Depository, legal fees and charges, professional consultants’ fees, fees and charges for execution, transportation and safekeeping of Bonds, premiums, fees and charges for insurance on Bonds, commitment fees or similar charges relating to a Letter of Credit, a financial guaranty insurance policy, a Liquidity Facility, a Hedge Agreement or a Remarketing Agent, 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 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 Institute 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 Institute 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 Institute), (viii) interest on the Bonds, 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 to the Loan Agreements, a Letter of Credit, a financial guaranty insurance policy in connection with Bonds, a Liquidity Facility or a Remarketing Agreement in connection with Option Bonds or Variable Interest Rate Bonds.

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

“*Debt*” means, when used in connection with any person, indebtedness for borrowed money incurred or guaranteed by such person, whether or not evidenced by notes, bonds, debentures or other similar evidences of indebtedness, including indebtedness under purchase money mortgages, capital leases, installment sales agreements and similar security arrangements which appear as debt on the audited balance sheet of such person in accordance with generally accepted accounting principles.

“*Debt Service Coverage Ratio*” at any date of calculation, the ratio, expressed as a percentage, obtained by dividing Net Revenues Available for Debt Service by the Maximum Annual Debt Service.

“*Debt Service Fund*” means, when used in connection with a Series of Bonds, the fund so designated, created and established by or pursuant to the Series Resolution authorizing the issuance of such Series of Bonds.

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

“*Debt Service Reserve Requirement*” means, initially, the amount set forth in the Bond Series Certificate executed in connection with the Series 2015A Bonds in accordance with the Series 2015A Resolution as the amount required to be on deposit in the Debt Service Reserve Fund.

“*Defeasance Security*” means:

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

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

(iii) an Exempt Obligation, provided such Exempt Obligation (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;

(iv) any other investments acceptable to the Rating Service(s) for defeasance; and ***provided, however,*** that for purposes of (i), (ii) and (iii) above, such term shall not include (1) any interest in a unit investment trust or mutual fund or (2) any obligation that is subject to redemption prior to maturity other than at the option of the holder thereof.

“Deficiency Notice” means any notice to the Institute either from the Trustee or the Authority to the effect that the amount in the Debt Service Reserve Fund is less than the Debt Service Reserve Requirement.

“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.

“Determination of Taxability” means, when used with respect to a Tax Exempt Bond, a final determination by any court of competent jurisdiction or a final determination by the Internal Revenue Service to which the Authority shall consent or from which no timely appeal shall have been taken, in each case to the effect that interest on such Bond is includable in the gross income of the Holder thereof for purposes of federal income taxation.

“Direct Participant” means a participant in the book–entry system of recording ownership interests in the Series 2015A Bonds.

“DTC” means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, in its capacity as Depository for the Series 2015A Bonds, or any successor Depository for any Series 2015A Bonds.

“Exempt Obligation” means:

(i) an obligation of any state or territory of the United States of America, any political subdivision of any state or territory of the United States of America, or any agency, authority, public benefit corporation or instrumentality of such state, territory or political subdivision, the interest on which is excludable from gross income under Section 103 of the Code, which is not a “specified private activity bond” within the meaning of Section 57(a)(5) of the Code and which, at the time an investment therein is made or such obligation is deposited in any fund or account under the Resolution, is rated, without regard to qualification of such rating by symbols such as “+” or “–” and numerical notation, no lower than in the second highest rating category for such obligation by at least two Rating Services;

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

(iii) a share or interest in a mutual fund, partnership or other fund registered under the Securities Act of 1933, as amended, and operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended, wholly comprised of any of the foregoing obligations.

“Federal Agency Obligation” means:

(i) an obligation issued by any federal agency or instrumentality approved by the Authority;

(ii) an obligation the principal of and interest on which are fully insured or guaranteed as to payment by a federal agency approved by the Authority;

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

(iv) a share or interest in a mutual fund, partnership or other fund registered under the Securities Act of 1933, as amended, and operated in accordance with Rule 2a – 7 of the Investment Company Act of 1940, as amended, wholly comprised of any of the foregoing obligations.

“Fiscal Year” means a twelve month period beginning July 1st of a calendar year and ending on June 30th of the next subsequent calendar year, or such other twelve month period as the Institute may elect as its Fiscal Year.

“Government Obligation” means:

(i) a direct obligation of the United States of America;

(ii) an obligation the principal of and interest on which are fully insured or guaranteed as to payment by the United States of America;

(iii) an obligation to which the full faith and credit of the United States of America are pledged;

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

(v) a share or interest in a mutual fund, partnership or other fund registered under the Securities Act of 1933, as amended, and operated in accordance with Rule 2a – 7 of the Investment company Act of 1940, as amended, wholly comprised of any of the foregoing obligations.

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

“Gross Receipts” means:

(i) All revenues received by the Institute from its operations, including but not limited to tuition, student fees, and charges for room and board, and from the operations of its facilities, all

the proceeds, product, offspring, rents and profits of all of the Institute's facilities, and all other income available to the Institute from any other source;

(ii) All of the Institute's accounts, contract rights, chattel paper, instruments, general intangibles and other obligations of any kind now or after existing, whether or not arising out of or in connection with the sale or lease of goods or the rendering of services, whether or not such services have been performed;

(iii) All rights now or after existing in and to all security agreements, leases and other contracts securing or otherwise relating to any such accounts, contract rights, chattel paper, instruments, general intangibles or obligations in each case derived from the Institute's ownership, operation or lease of all of its facilities (any and all such accounts, contract rights, chattel paper, instruments, general intangibles and obligations being the "**Receivables**");

(iv) All investment income, gifts, bequests, contributions and other donations and any income derived therefrom *excluding* only gifts, bequests, contributions and other donations before or after the date of the Loan Agreement made and any income derived therefrom which are specifically restricted by the donor or grantor thereof to a specific object or purpose inconsistent with the payment by the Institute of amounts owed to the Authority by the Institute pursuant to the Loan Agreement; and

(v) All proceeds of any and all of the foregoing, including without limitation any amounts received from the sale, exchange, lease or other disposition of any Receivables, and, to the extent not otherwise included, all payments under insurance (whether or not the Authority is the loss payees thereof), or any indemnity, warranty or guaranty, payable by reason of loss or damage to or otherwise with respect to any of the foregoing.

"*Hedge Agreement*" means any financial arrangement entered into by the Institute that is or is in the nature of an interest rate exchange agreement, an interest rate cap or collar or other exchange or rate protection transaction, under which any of the Institute's obligations thereunder are secured by a Lien on all or any portion of the Gross Receipts or Mortgaged Property that, in accordance with the terms of any intercreditor agreement is of equal priority with the Lien thereon securing the Institute's obligations under the Loan Agreement.

"*Institute*" means Pratt Institute, a corporation duly organized and existing under the laws of the State, which is an institution for higher education located in the State and authorized to confer degrees by law or by the Board of Regents of the State, or any successor thereto.

"*Insurance Consultant*" means a person or firm selected by the Institute, acceptable to the Authority, which is qualified to survey risks and to recommend insurance coverage for the Institute and organizations engaged in like operations.

"*Intercreditor Agreement*" means an agreement by and among, *inter alia*, the Authority, the Trustee and each Bank, as creditors of the Institute, with respect to (i) the relative priorities of the liens upon the Gross Receipts and, to the extent the obligations of the Institute 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.

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

“Letter of Credit” means an irrevocable direct-pay letter of credit for the benefit of the Trustee pursuant to which the issuer thereof is obligated, upon a drawing made by the Trustee in accordance with the terms of such letter of credit, to advance to the Trustee amounts to pay the principal and Sinking Fund Installments of and interest on such Bonds, as the same becomes due whether or not the Authority is in default under the Resolution or the Institute is in default under a Loan Agreement that is issued by (i) a bank, savings bank, savings and loan association or trust company organized under the laws of any state of the United States of America and authorized to do business in the State, (ii) a trust company, (iii) a national banking association, (iv) 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, (v) a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, or (vi) 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.

“Letter of Credit Secured Bond” means a Bond in connection with which a Letter of Credit has been issued.

“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.

“Loan” has the meaning given to such term in the Loan Agreement.

“Loan Agreement” means the Loan Agreement by and between the Authority and the Institution, related to the Series 2015A Bonds, as the same may from time to time be amended, supplemented or otherwise modified as permitted by the Resolution and by the Loan Agreement;

“Long Term Debt” means Debt on which (i) 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, (ii) payments in reduction of the principal thereof are required to be made over a period of more than one (1) Fiscal Year, or (iii) the payment of principal may be extended at the option of the obligor to a date that is more than one (1) year after such Debt was incurred.

“Management Consultant” means a nationally recognized accounting or management consulting firm or other similar firm, experienced in reviewing and assessing the Institute’s operations, acceptable to the Authority.

“Maximum Annual Debt Service” means, for any person and as of any particular date of computation, the greatest amount required to be paid in the then current or any future Fiscal Year in reduction of the principal of outstanding Long-Term Debt and for interest thereon; provided, however, that for purposes of such computation:

(i) if twenty-five percent (25%) or more of the principal amount of any Long-Term Debt comes due in any Fiscal Year either by maturity or mandatory redemption, the “Maximum Annual Debt Service” shall be calculated as though the principal of and interest at the stated rate on such Long-Term Debt was payable in substantially equal annual installments during each Fiscal Year commencing with the Fiscal Year during which such Long-Term Debt was incurred and continuing to and including the earlier of (A) the twentieth Fiscal Year thereafter and (B) the Fiscal Year during which such Long-Term Debt is scheduled by its terms to be fully paid;

(ii) any Long-Term Debt that bears interest at a variable rate adjusted periodically, whether based upon an index or otherwise, shall be considered to bear interest at:

(A) in the case of any such Long-Term Debt that has been outstanding for at least twenty-four (24) calendar months prior to the date of computation, one hundred percent (100%) of the weighted average annual interest rate borne by such Long-Term Debt over the twenty-four (24) calendar months immediately preceding such computation; and

(B) in the case of any such Long-Term Debt that has not been outstanding for at least twenty-four (24) calendar months prior to the date of computation, (1) if the interest on such Long-Term Debt is excluded from the gross income of the holders thereof for purposes of federal income taxation, one hundred percent (100%) of the average of the SIFMA Municipal Index for the most recent twenty-four (24) calendar months preceding the date of computation, or, if such index is no longer available, one hundred percent (100%) of the most recent 25 Revenue Bond Index published by the *Bond Buyer*, or (2) if the interest on such Long-Term Debt is not excluded from the gross income of the holders thereof for purposes of federal income tax purposes, one hundred percent (100%) of the prime rate of the Trustee (or, if the Trustee does not publish a prime rate, the prime rate of any affiliate of the Trustee which is a member of the Federal Reserve Bank) in effect for the twenty-four calendar months immediately preceding the date of computation; and

(C) in the case of any such Long-Term Debt in connection with which the Institute has entered into a Hedge Agreement that requires it to pay a fixed rate of interest to the counterparty thereto, then, so long as such Hedge Agreement remains applicable to such Long-Term Debt, the fixed rate of interest payable thereunder by the Institute; and

(iii) Long-Term Debt that is guaranteed by the Institute shall be included in the computation of the Institute's Maximum Annual Debt Service; provided, however, that the respective percentages of such Long-Term Debt set forth below, and the debt service thereon, may be excluded from such computation if the Debt Service Coverage Ratio for all Long-Term Debt of the primary obligor of the guaranteed Long-Term Debt is at least equal to the Debt Service Coverage Ratio set forth below opposite such percentage:

<u>Debt Service Coverage Ratio</u>	<u>Percentage of Guaranteed Debt Which may be Excluded</u>
200% or more	80%
At least 175% but less than 200%	75%
At least 150% but less than 175%	50%
At least 125% but less than 150%	25%
Less than 125%	0%

Notwithstanding the foregoing, no percentage of any Long-Term Debt guaranteed by the Institute on which the Institute, during its then current Fiscal Year or any of the two (2) immediately preceding Fiscal Years, has made any payment pursuant to its guarantee may be excluded from the computation of its Maximum Annual Debt Service.

“*Mortgage*” means the mortgage, dated the date of issuance of the Series 2015A Bonds, on the property described therein, made by the Institute to the Authority to secure the Institute’s obligation under the Loan Agreement, as the same may be amended and supplemented from time to time.

“*Mortgaged Property*” means the property described in the Mortgage.

“*Net Revenues Available for Debt Service*” means for any person such persons total unrestricted revenues and gains, minus total unrestricted expenses, exclusive of unrealized gains or losses on investment, depreciation and interest paid, all as shown on the audited financial statements of such person stated in accordance with generally accepted accounting principles applicable to such person.

“*Official Statement*” means an official statement, offering memorandum or circular or other offering document relating to and in connection with the sale of the Series 2015A Bonds.

“*Opinion of Bond Counsel*” means an opinion of Bond Counsel to the effect that the action proposed to be taken will not cause interest on the Bonds to which such action relates to be includable in the gross income of the owners of such Bonds for purposes of federal income taxation and that such action is authorized or permitted by the Resolution and by the applicable Series Resolution and Bond Series Certificate.

“*Option Bond*” means any Bond 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, means, as of a particular date, all Bonds authenticated and delivered under the Resolution and under any applicable Series Resolution except:

- (i) any Bond canceled by the Trustee at or before such date;
- (ii) any Bond deemed to have been paid in accordance with the Resolution;
- (iii) any Bond in lieu of or in substitution for which another Bond shall have been authenticated and delivered pursuant to the Resolution; and
- (iv) 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 Debt*” means, when used in relation to the Gross Receipts, any Long-Term Debt incurred in compliance with the Loan Agreement; **provided, however**, that in connection with any such Debt the person to whom the Institute is indebted shall have entered into an intercreditor agreement by and among the Authority, the Trustee and each other person secured by a security interest in the Gross Receipts or by a mortgage on the Mortgaged Property, as applicable, that is on a parity with the Lien thereon to secure the Institute’s obligations hereunder.

“*Permitted Collateral*” means:

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

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

(v) 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 one Rating Service and having maturities of not longer than three hundred sixty five (365) days from the date they are pledged.

"Permitted Investments" means any of the following:

(i) Government Obligations;

(ii) Federal Agency Obligations;

(iii) Exempt Obligations;

(iv) uncollateralized certificates of deposit that are fully insured by the Federal Deposit Insurance Corporation and issued by a banking organization authorized to do business in the State;

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

(vi) 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 one Rating Service and having maturities of not longer than two hundred seventy (270) days from the date of purchase;

(vii) 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 one Rating Service and having maturities of not longer than three hundred sixty five (365) days from the date they are purchased;

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

(ix) a share or interest in a mutual fund, partnership or other fund registered under the Securities Act of 1933, as amended, and operated in accordance with Rule 2a – 7 of the Investment Company Act of 1940, as amended, whose objective is to maintain a constant share value of \$1.00 per share and that is rated, 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 one Rating Service.

"Permitted Liens" means, when used in connection with the Mortgaged Property: (i) the Loan Agreement, (ii) the Resolution, (iii) the Mortgage, (iv) any instrument recorded pursuant to Section 20 of the Loan Agreement, (v) those Liens or matters referred to in any title insurance policy described in Section 13 of the Loan Agreement and accepted by the Authority, (vi) the lien of taxes and assessments which are not delinquent, (vii) 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, (viii) 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 reasonably be expected to be held, (ix) 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, which do not materially impair the use of such property for the purposes for which it is or may reasonably be expected to be held, (x) security interests, liens and other encumbrances to secure the purchase price of any equipment or furnishings for the Mortgaged Property, and (xi) any other Liens or other matters approved in writing by the Authority.

“*Permitted Long-Term Debt*” means any Long-Term Debt of the Institute incurred in compliance with Section 1(e) of Exhibit D to the Loan Agreement.

“*Project*” means the buildings, improvements, fixtures, furnishings and equipment to be financed from proceeds of the Series 2015A Bonds or to be financed by the Authority from the proceeds of the Refunded Bonds, as such project is more particularly described in Exhibit C to the Loan Agreement.

“*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;

(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;

(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;

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

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

“Rating Service” 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 the Series Resolution authorizing Variable Interest Rate Bonds or Option Bonds or the Bond Series Certificate relating thereto provides otherwise with respect to such Variable 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, 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 aggregate Outstanding Series 2009A Bonds and Series 2009B Bonds.

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

“Related Agreement” means each of the Security Agreement and the Mortgage.

“Requisition” means the request for disbursement substantially in the form annexed as Exhibit F to the Loan Agreement.

“Resolution” means the Pratt Institute Revenue Bond Resolution, adopted by the Authority September 24, 2008, as from time to time amended or supplemented by Supplemental Resolutions or Series Resolutions in accordance with the terms and provisions under the Resolution.

“Revenues” means, when used in connection with the Bonds of any particular Series:

(i) all payments received or receivable by the Authority that pursuant to the Loan Agreement entered into in connection with such Series of Bonds are required to be paid to the Trustee, other than payments to the Trustee for (A) the administrative costs and expenses or fees of the Trustee, (B) deposit to the Arbitrage Rebate Fund, (C) deposit to any fund or account established by or pursuant to such Series Resolution for the payment of the purchase price of Option Bonds tendered or deemed to have been tendered for purchase, or (D) deposit to any fund or account established by or pursuant to such Series Resolution for repayment of advances made by a Liquidity Facility Provider for payment of the purchase price of Option Bonds; and

(ii) all amounts received as a consequence of the enforcement of a 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 Institute given to secure the Institute's obligation under such Loan Agreement or upon the security interest in the Gross Receipts.

"Security Agreement" means the Security Agreement, dated the date of issuance of the Series 2015A Bonds, pursuant to which the Institute has granted to the Authority a security interest in the Gross Receipts as the same may be amended and restated from time to time.

"Serial Bond" means any Bond so designated in a Series Resolution or a Bond Series Certificate.

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

"Series 2009A Bonds" means the Authority's Pratt Institute Revenue Bonds, Series 2009A (Letter of Credit Secured), issued on March 19, 2009 pursuant to the Resolution.

"Series 2009B Bonds" means the Authority's Pratt Institute Revenue Bonds, Series 2009B (Letter of Credit Secured), issued on March 19, 2009 pursuant to the Resolution.

"Series 2015A Resolution" means the Authority's Series Resolution Authorizing Up To \$85,000,000 Pratt Institute Revenue Bonds, adopted December 10, 2014, and the Bond Series Certificate executed by the Authority in connection with issuance of the Series 2015A Bonds, in each case as the same may be amended, supplemented or otherwise modified.

"Series Resolution" or "Series Resolutions" means a resolution of the Authority authorizing the issuance of a Series of Bonds adopted by the Authority pursuant to the Resolution.

"Sinking Fund Installment" means, as of any date of calculation:

(i) when used with respect to any Bonds of a 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 Resolution or 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.

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

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

“*Tax Certificate*” means a certificate executed by an Authorized Officer of the Authority and the Institute, including the appendices, schedules and exhibits thereto, executed in connection with the issuance of the Series 2015A Bonds in which the Authority and the Institute make representations and agreements as to compliance with the provisions of Section 141 through 150, inclusive, of the Code, 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.

“*Tax Exempt Bond*” means any Bond as to which Bond Counsel has rendered an opinion to the effect that interest on it is excluded from gross income for purposes of federal income taxation.

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

“*Testing Date*” means December 31st and June 30th of each calendar year; ***provided, however,*** that, if the Institute’s Fiscal Year is changed so that it no longer ends on June 30th of a calendar year, the Testing Dates shall be the last day of the second quarter of the Institute’s Fiscal Year and last day of such Fiscal Year.

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

“*Variable Interest Rate*” means 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 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.

“*Verification Report*” means, when used in connection with any Bonds for the payment of which Defeasance Obligations and money has been deposited with the Trustee in accordance with the Resolution, a letter or other written

report verifying the accuracy of the arithmetical computations which establish the adequacy of such money and Defeasance Securities for such purpose.

“Winning Bid Rate” shall have the meaning given to such term in the Resolution.

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**FINANCIAL STATEMENTS OF
PRATT INSTITUTE
(WITH INDEPENDENT AUDITORS' REPORT THEREON)**

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PRATT INSTITUTE

Financial Statements

June 30, 2014

(with comparative financial information as of June 30, 2013)

(With Independent Auditors' Report Thereon)

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

Independent Auditors' Report

The Board of Trustees
Pratt Institute:

We have audited the accompanying financial statements of Pratt Institute (the Institute), which comprise the balance sheet as of June 30, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pratt Institute as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended, in accordance with U.S. generally accepted accounting principles.



Report on Summarized Comparative Information

We have previously audited the Institute's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 3, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

KPMG LLP

December 3, 2014

PRATT INSTITUTE

Balance Sheet

June 30, 2014

(with comparative financial information as of June 30, 2013)

Assets	2014	2013
Cash and cash equivalents	\$ 103,928,771	95,440,240
Receivables:		
Student accounts (net of allowance for doubtful accounts of \$2,388,102 and \$1,819,480 in 2014 and 2013, respectively)	262,621	174,536
Grants and other (net of allowance for doubtful accounts of \$422,036 in 2014 and 2013)	1,738,285	1,647,688
Contributions, net (note 5)	2,893,726	3,000,507
Student loans and accrued interest (net of allowance for doubtful loans of \$3,688,064 and \$3,675,973 in 2014 and 2013, respectively)	12,011,231	11,862,970
Investments (note 3)	154,884,364	135,091,785
Prepaid expenses and other assets (note 7)	5,093,885	4,363,597
Funds held by bond trustee (note 7)	9,168,193	9,071,697
Plant assets, net (note 6)	251,616,566	246,898,522
Total assets	<u>\$ 541,597,642</u>	<u>507,551,542</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 24,596,810	22,251,010
Deferred revenue	5,215,080	6,051,913
Note payable (note 8)	8,000,000	8,500,000
Bonds payable (note 7)	90,989,629	93,836,614
Swap liability (note 7)	2,707,771	3,192,810
Accrued postretirement benefit obligation (note 11)	82,732,834	66,465,334
U.S. government grants refundable	7,271,809	7,063,208
Conditional asset retirement obligations (note 9)	3,358,370	3,215,388
Total liabilities	<u>224,872,303</u>	<u>210,576,277</u>
Net assets (notes 4 and 10):		
Unrestricted	240,610,288	229,105,004
Temporarily restricted	32,492,110	25,055,811
Permanently restricted	43,622,941	42,814,450
Total net assets	<u>316,725,339</u>	<u>296,975,265</u>
Total liabilities and net assets	<u>\$ 541,597,642</u>	<u>507,551,542</u>

See accompanying notes to financial statements.

PRATT INSTITUTE

Statement of Activities

Year ended June 30, 2014

(with summarized comparative financial information for the year ended June 30, 2013)

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>2014 Total</u>	<u>2013 Total</u>
Operating activities:					
Revenue:					
Tuition and fees	\$ 181,915,677	—	—	181,915,677	173,301,515
Scholarship allowance	(42,668,706)	—	—	(42,668,706)	(40,401,495)
Net tuition and fees	139,246,971	—	—	139,246,971	132,900,020
State of New York appropriations	309,553	—	—	309,553	277,327
Contributions	1,509,433	1,508,395	793,182	3,811,010	8,455,164
Private grants and contracts	877,625	194,827	—	1,072,452	3,264,233
Government grants and contracts:					
Federal	1,151,311	104,288	—	1,255,599	2,004,546
State of New York	791,578	—	—	791,578	879,897
Local	183,969	—	—	183,969	327,493
Investment income	1,300,882	18,256	15,309	1,334,447	1,494,116
Interest and late charges on loans receivable	293,066	—	—	293,066	295,344
Sales and services of auxiliary enterprises	16,179,033	31,847	—	16,210,880	16,618,834
Other revenue	3,631,319	88,224	—	3,719,543	4,425,543
Net assets released from restrictions	3,771,198	(3,771,198)	—	—	—
Total operating revenue	169,245,938	(1,825,361)	808,491	168,229,068	170,942,517
Expenses (note 14):					
Instruction	69,628,997	—	—	69,628,997	63,726,111
Public service	3,226,995	—	—	3,226,995	2,706,773
Academic support	21,494,837	—	—	21,494,837	20,530,084
Student services	17,793,480	—	—	17,793,480	17,668,691
Institutional support	33,042,345	—	—	33,042,345	31,034,619
Auxiliary enterprises	23,183,596	—	—	23,183,596	22,569,324
Total expenses	168,370,250	—	—	168,370,250	158,235,602
Insurance recoveries (note 18)	10,594,485	—	—	10,594,485	—
Excess of operating revenue over expenses	11,470,173	(1,825,361)	808,491	10,453,303	12,706,915
Nonoperating activities:					
Net appreciation in fair value of investments	9,514,507	9,261,660	—	18,776,167	12,574,259
Unrealized appreciation in fair value of derivative instruments (note 7)	485,039	—	—	485,039	1,958,778
Postretirement-related changes other than net periodic postretirement benefit cost (note 11)	(9,964,435)	—	—	(9,964,435)	6,460,884
Increase in net assets	11,505,284	7,436,299	808,491	19,750,074	33,700,836
Net assets, beginning of year	229,105,004	25,055,811	42,814,450	296,975,265	263,274,429
Net assets, end of year	\$ 240,610,288	32,492,110	43,622,941	316,725,339	296,975,265

See accompanying notes to financial statements.

PRATT INSTITUTE

Statement of Cash Flows

Year ended June 30, 2014

(with comparative financial information for the year ended June 30, 2013)

	2014	2013
Cash flows from operating activities:		
Increase in net assets	\$ 19,750,074	33,700,836
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation of plant assets	12,228,057	11,967,618
Amortization and accretion expense	150,997	198,669
Amortization of deferred bond issuance costs	142,458	142,458
Loss on disposal of fixed assets	1,460,165	—
Insurance recoveries (note 18)	(10,594,485)	—
Net appreciation in fair value of investments	(18,776,167)	(12,574,259)
Net appreciation in fair value of derivative instruments	(485,039)	(1,958,778)
Provision for uncollectible loans receivable	12,091	268,552
Permanently restricted contributions	(793,182)	(3,416,361)
Changes in assets and liabilities:		
Student accounts receivable	(88,085)	(26,769)
Grants and other receivable	(90,597)	2,569,859
Contributions receivable, excluding portions donor-restricted for endowments	106,781	665,984
Accrued interest receivable on student loans receivable	(256,733)	(274,697)
Prepaid expenses and other assets	(872,746)	(341,904)
Accounts payable and accrued expenses	(756,225)	3,617,879
Deferred revenue	(836,833)	(124,614)
Accrued postretirement benefit obligation	16,267,500	707,068
Net cash provided by operating activities	16,568,031	35,121,541
Cash flows from investing activities:		
Principal payments received on student loans	1,407,091	1,330,330
Disbursements of student loans, net of cancellations	(1,310,710)	(1,060,789)
Proceeds from sales of investments	43,106,877	30,087,533
Purchases of investments	(44,123,289)	(34,272,134)
Purchases of plant assets	(18,406,266)	(9,936,142)
Insurance recoveries	10,594,485	—
Change in accounts payable for capital expenditures	3,102,025	1,442,138
Net cash used in investing activities	(5,629,787)	(12,409,064)
Cash flows from financing activities:		
Increase in funds held by bond trustee, net	(96,496)	(65,974)
Principal payments on note and bonds payable	(3,355,000)	(3,265,000)
Increase in U.S. government grants refundable	208,601	161,290
Proceeds from permanently restricted contributions	793,182	1,130,361
Net cash used in financing activities	(2,449,713)	(2,039,323)
Net increase in cash and cash equivalents	8,488,531	20,673,154
Cash and cash equivalents, beginning of year	95,440,240	74,767,086
Cash and cash equivalents, end of year	\$ 103,928,771	95,440,240
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 3,583,539	3,765,953

See accompanying notes to financial statements.

PRATT INSTITUTE

Notes to Financial Statements

June 30, 2014

(with comparative financial information as of June 30, 2013)

(1) Organization and Tax Status

(a) Organization

Pratt Institute (the Institute), with its principal offices and programs located in Brooklyn, New York, is a coeducational institution chartered and empowered to confer academic degrees by the Board of Regents of the State of New York. The Institute offers degrees at both the undergraduate and graduate levels in art, design, and architecture, and at the graduate level in information and library science.

(b) Tax Status

The Institute is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. Accordingly, the Institute is not subject to income taxes except to the extent it has taxable income from activities that are not related to its exempt purposes. The Institute utilizes a threshold of more likely than not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. No provision for income taxes was required for fiscal year 2014 or 2013.

(2) Summary of Significant Accounting Policies

The significant accounting policies followed by the Institute are described below:

(a) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting.

(b) Basis of Presentation

The Institute's net assets and revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions in accordance with standards established by the Financial Accounting Standards Board (FASB) for external financial reporting by not-for-profit organizations. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met either by actions of the Institute and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Institute. Generally, the donors of these assets permit the Institute to use all or part of the income and gains derived therefrom for general or specific purposes.

Revenue is reported as an increase in unrestricted net assets unless use of the related assets 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.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statement of activities as net assets released from restrictions.

PRATT INSTITUTE

Notes to Financial Statements

June 30, 2014

(with comparative financial information as of June 30, 2013)

(c) Contributions and Grants

Contributions, which include unconditional promises to give or pledges, grants, and contracts, are recognized as revenue in the period received at fair value. Conditional promises to give are not recognized until they become unconditional, that is, when the condition on which they depend are substantially met. Unconditional pledges to be paid in the future are discounted using a risk-adjusted discount rate. Amortization of the discount is recorded as additional contribution revenue with the donor-imposed restrictions, if any, on the contribution. Any decreases in the quantity or nature of assets expected to be received subsequent to the initial recognition of the pledge are reported as a loss in the applicable net asset class.

(d) Cash and Cash Equivalents

Cash and cash equivalents consist principally of money market funds and temporarily uninvested cash except for those cash equivalents that are maintained for long-term investment purposes. The carrying amounts of cash and cash equivalents approximate fair value because of the short maturities of those instruments.

(e) Investments

Readily marketable investments are stated at fair value based upon quoted market prices. Contributions of investment securities are recorded at their fair value at the date of gift. Alternative investments, which are not readily marketable, are carried at estimated fair values (net asset value) as provided by the investment managers. The Institute reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments. These estimated fair values may differ significantly from the values that would have been used had a ready market for the securities existed.

(f) Plant Assets

Plant assets are stated based upon the following valuations:

Land – assessed valuation at 1962 plus subsequent additions at cost

Buildings – cost, except certain buildings, which are stated at insurable values for 1962

Building and leasehold improvements – cost

Equipment and furniture – cost, or at fair value, at the date of gift when acquired as gift

Library books – nominal value of \$1.00 per volume

Depreciation of buildings, building improvements, equipment, and furniture is provided on a straight-line basis over their estimated useful lives, ranging from 5 to 50 years. Amortization of leasehold improvements is provided on a straight-line basis over their expected useful lives, not to exceed the remaining life of the respective lease.

PRATT INSTITUTE

Notes to Financial Statements

June 30, 2014

(with comparative financial information as of June 30, 2013)

(g) Release of Restrictions on Net Assets Held for Acquisition of Property and Equipment

Contributions of property and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenue of the unrestricted net asset class. Contributions of cash or other assets received with donor stipulations that they be used to acquire property and equipment are reported as revenue of the temporarily restricted net asset class; the restrictions are considered to be released at the time the long-lived asset is placed into service.

(h) Deferred Revenue

Amounts received in advance for tuition and fees are recognized as deferred revenue in the accompanying financial statements.

(i) Split-Interest Agreements

The Institute's split-interest agreements with donors consist primarily of charitable gift annuities, as well as a charitable gift remainder trust, for which the Institute is trustee. Assets associated with these split-interest agreements are included in investments. Contribution revenue is recognized at the date the trusts are established. The liabilities are adjusted annually for changes in the value of the assets, accretion of the discount, and other changes in the estimates of future benefits.

(j) Fair Value Hierarchy

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following three levels of inputs are used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities, as well as certain alternative investments (measured at net asset value) that are redeemable on or near (within 90 days) the balance sheet date.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation, as well as certain alternative investments (measured at net asset value) that are not redeemable on or near the balance sheet date.

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.

PRATT INSTITUTE

Notes to Financial Statements

June 30, 2014

(with comparative financial information as of June 30, 2013)

(k) Fair Value Disclosures

The carrying value of substantially all long-term debt is not materially different from fair value based on the discounted future cash payments to be made using observable interest rates and maturity dates that fall within Level 2 of the fair value hierarchy due to these financial instruments bearing interest at rates that approximate the current market rates for loans with similar maturities and credit quality. A reasonable estimate of the fair value of loans receivable from students under government loan programs could not be made because the notes cannot be sold and can only be assigned to the U.S. government or its designees. The carrying amounts of the Institute's remaining financial instruments not reported at fair value approximate fair value because of their short maturities. The fair values of such financial instruments involve unobservable inputs considered to be Level 3 in the fair value hierarchy.

(l) U.S. Government Grants Refundable

Funds provided by the U.S. government under the Federal Perkins Loan Program are loaned to qualified students and may be reloaned after collection. These funds are ultimately refundable to the U.S. government and are presented in the accompanying balance sheet as liabilities.

(m) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates made in the preparation of these financial statements include valuation of investments at fair value, valuation of interest rate swap agreements at fair value, actuarial valuation of postretirement benefits obligation, allocation of expenses among functional categories, plant assets' useful lives, and estimated net realizable value of receivables. Actual results could differ from those estimates.

(n) Operating and Nonoperating Activities

The accompanying statement of activities distinguishes between operating and nonoperating activities. Nonoperating activities consist of net appreciation (depreciation) in fair value of investments and derivative instruments, and postretirement-related changes other than net periodic postretirement cost.

(o) Prior Year Summarized Financial Information

The accompanying statement of activities includes certain prior year summarized comparative financial information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Institute's financial statements as of and for the year ended June 30, 2013, from which the summarized information was derived.

PRATT INSTITUTE

Notes to Financial Statements

June 30, 2014

(with comparative financial information as of June 30, 2013)

(3) Investments

Investments, at fair value, consist of the following at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Cash equivalents	\$ 4,343,672	12,921,091
Mutual funds	31,893,863	27,355,149
Corporate stocks:		
Domestic equities	31,393,723	24,457,611
International equities	2,742,639	1,973,962
Alternative investments	<u>84,510,467</u>	<u>68,383,972</u>
	<u>\$ 154,884,364</u>	<u>135,091,785</u>

The Institute invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the balance sheet.

Alternative investments include domestic and international hedge funds, limited partnerships, and limited liability corporations. Approximately 8.5% of the alternative investments invest principally in multistrategy bond funds; 14.1% in multistrategy equity funds; and 77.4% in limited partnerships, limited liability corporations, and other funds.

Certain types of financial instruments, including, among others, futures and forward contracts, options, and securities sold not yet purchased are also included in alternative investments, and are intended to hedge against changes in the market value of investments. These financial instruments, which involve varying degrees of off-balance-sheet risk, may result in loss due to changes in the market (market risk).

The Institute's investments at June 30, 2014 and 2013 are summarized in the following tables by their fair value hierarchy:

	<u>2014</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash equivalents	\$ 4,343,672	—	—	4,343,672
Mutual funds	31,893,863	—	—	31,893,863
Corporate stocks	34,136,362	—	—	34,136,362
Alternative investments:				
Multistrategy equities	—	11,927,019	—	11,927,019
Multistrategy bonds	—	7,147,750	—	7,147,750
Limited partnerships	—	47,937,472	—	47,937,472
Other funds	—	—	17,498,226	17,498,226
Total investments	<u>\$ 70,373,897</u>	<u>67,012,241</u>	<u>17,498,226</u>	<u>154,884,364</u>

PRATT INSTITUTE

Notes to Financial Statements

June 30, 2014

(with comparative financial information as of June 30, 2013)

	2013			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash equivalents	\$ 12,921,091	—	—	12,921,091
Mutual funds	27,355,149	—	—	27,355,149
Corporate stocks	26,431,573	—	—	26,431,573
Alternative investments:				
Multistrategy equities	—	9,617,279	—	9,617,279
Multistrategy bonds	—	6,734,098	—	6,734,098
Limited partnerships	—	38,854,195	—	38,854,195
Other funds	—	—	13,178,400	13,178,400
Total investments	\$ 66,707,813	55,205,572	13,178,400	135,091,785

There were no transfers between Level 1 and Level 2 securities for the years ended June 30, 2014 and 2013.

The following table presents a reconciliation for all Level 3 financial instruments in 2014:

	<u>Beginning balance</u>	<u>Purchases</u>	<u>Settlements</u>	<u>Total net realized and unrealized gains</u>	<u>Ending balance</u>
Alternative investments:					
Equity long/short hedge funds	\$ 6,743,357	—	—	639,076	7,382,433
Equity market neutral hedge funds	6,435,043	3,000,000	—	680,750	10,115,793
	\$ 13,178,400	3,000,000	—	1,319,826	17,498,226

The following table presents a reconciliation for all Level 3 financial instruments in 2013:

	<u>Beginning balance</u>	<u>Purchases</u>	<u>Settlements</u>	<u>Total net realized and unrealized gains</u>	<u>Ending balance</u>
Alternative investments:					
Equity long/short hedge funds	\$ 6,018,689	—	—	724,668	6,743,357
Equity market neutral hedge funds	5,771,492	—	—	663,551	6,435,043
	\$ 11,790,181	—	—	1,388,219	13,178,400

PRATT INSTITUTE

Notes to Financial Statements

June 30, 2014

(with comparative financial information as of June 30, 2013)

The conditions upon which the Institute may redeem its alternative investments at June 30, 2014 are summarized as follows:

<u>Alternative investment strategy</u>	<u>Redemption/liquidity</u>	<u>Total</u>
Multistrategy bonds – fixed income	Monthly with 5 business days’ notice	\$ 7,147,750
Multistrategy domestic equity funds	Monthly with 5 business days’ notice	11,927,019
Global equities and commodities	Monthly	7,075,531
Fixed income funds, high yield corporate bonds, bank loans, and securitized market bonds	30 days’ written notification traded 2 times monthly	3,590,221
Private equity (securities, stocks, and call option contracts)	Annual liquidity on 45 days’ prior notice*	6,989,118
Energy and natural resources	Quarterly with 60 days’ written notice	4,314,365
Event driven investment, financial distress companies, merger, spin-offs	Quarterly with 65 days’ written notice	8,129,911
Foreign equities and securities	Monthly with 30 days’ written notice	3,418,250
Commingled funds, stocks	At least 1 week notice	4,724,137
Long/short-term equity hedge funds	Quarterly with 45 days’ written notice	9,113,445
Equity securities primarily in US Market	Quarterly last business day	3,105,312
Pooled investment funds, hedge	Annual, either June or Dec 90 written notice prior*	3,126,675
Comingled funds, equities	Monthly with 30 days’ written notice	4,466,300
Securities: stocks; call option contract; bank debts, govt and corp; convertible bonds; and warrants	Annual liquidity on 45 days’ notice*	7,382,433
		<u>\$ 84,510,467</u>

* Indicates Level 3 investment

(4) Endowment Funds

The Institute’s endowment consists of approximately 200 individual funds, including both donor-restricted endowment funds (permanent endowment) and amounts designated by the Board of Trustees (the Board) to function as endowments.

In accordance with the accounting guidance associated with the New York Prudent Management of Institutional Funds Act (NYPMIFA), the Institute classifies as permanently restricted net assets (a) the original value of gifts to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations of investment returns to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Institute in a manner consistent with the standard of prudence prescribed by NYPMIFA.

Pursuant to the investment policy approved by the Board, the Institute has interpreted NYPMIFA as allowing the Institute to appropriate for expenditure or accumulate so much of a donor-restricted endowment fund as the Institute deems prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument.

PRATT INSTITUTE

Notes to Financial Statements

June 30, 2014

(with comparative financial information as of June 30, 2013)

The following table presents the net asset classes of the Institute's endowment funds (excluding institutional loan funds of approximately \$1,583,000), as of June 30, 2014 and 2013:

		June 30, 2014			
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment	\$	(16,366)	25,494,050	42,039,983	67,517,667
Board-designated fund		85,291,347	—	—	85,291,347
Total endowment	\$	<u>85,274,981</u>	<u>25,494,050</u>	<u>42,039,983</u>	<u>152,809,014</u>

		June 30, 2013			
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment	\$	(77,951)	17,750,324	41,231,493	58,903,866
Board-designated fund		64,467,919	—	—	64,467,919
Total endowment	\$	<u>64,389,968</u>	<u>17,750,324</u>	<u>41,231,493</u>	<u>123,371,785</u>

The following tables present changes in endowment funds for the fiscal years ended June 30, 2014 and 2013:

		June 30, 2014			
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, June 30, 2013	\$	64,389,968	17,750,324	41,231,493	123,371,785
Net asset released from restrictions		1,462,611	(1,462,611)	—	—
Interest and dividends		965,780	—	15,309	981,089
Net appreciation in fair value of investments		9,514,507	9,206,336	—	18,720,843
Contributions and transfers		418,410	—	793,182	1,211,592
Allocated from operating surplus		10,000,000	—	—	10,000,000
Scholarship awards and other distributions		(1,476,296)	—	—	(1,476,296)
Endowment net assets, June 30, 2014	\$	<u>85,274,980</u>	<u>25,494,049</u>	<u>42,039,984</u>	<u>152,809,013</u>

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(with comparative financial information as of June 30, 2013)

	June 30, 2013			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, June 30, 2012	\$ 49,553,582	10,245,024	37,801,168	97,599,774
Net asset released from restrictions	1,256,409	(1,256,409)	—	—
Interest and dividends	—	988,602	13,964	1,002,566
Net appreciation in fair value of investments	6,553,637	5,773,107	—	12,326,744
Contributions	2,541,306	—	3,416,361	5,957,667
Private grants	—	2,000,000	—	2,000,000
Allocated from operating surplus	5,758,652	—	—	5,758,652
Scholarship awards and other distributions	(1,273,618)	—	—	(1,273,618)
Endowment net assets, June 30, 2013	<u>\$ 64,389,968</u>	<u>17,750,324</u>	<u>41,231,493</u>	<u>123,371,785</u>

(a) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the historic dollar level. The donor-restricted endowment deficiencies as of June 30, 2014 and 2013 were \$16,366 and \$77,951, respectively, and were included in unrestricted net assets.

(b) Return Objectives and Risk Parameters

The long-term objective of the fund is to preserve the real purchasing power of its assets, while maximizing program-related funding, covering expenses, and allowing for inflation.

The investment objective of the fund is to achieve a compound annualized rate of return over a market cycle, including current interest and dividends and capital appreciation, in excess of 5% after inflation, in a manner consistent with prudent risk taking.

(c) Spending Policy

The Institute has a policy of appropriating 3% of the average total market value of endowment investment funds for spending, which includes 5% of the three-year average market value of scholarship investment funds for endowment scholarship awards unless otherwise explicitly stipulated by the donor or by the Board. Distributions from the endowment funds, for scholarships, totaling \$1,408,826 and \$1,212,793 were made in fiscal year 2014 and 2013, respectively.

PRATT INSTITUTE

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(with comparative financial information as of June 30, 2013)

(5) Contributions Receivable

Contributions are scheduled to be collected as follows at June 30, 2014 and 2013:

	2014	2013
Less than one year	\$ 1,384,187	1,267,821
One to five years	955,000	950,000
Five to ten years	1,000,000	1,250,000
	3,339,187	3,467,821
Discount to present value of future cash flows (at 4%)	(227,924)	(264,777)
Allowance for doubtful accounts	(217,537)	(202,537)
	\$ 2,893,726	3,000,507

As of June 30, 2014 and 2013, 60% and 65%, respectively, of gross contributions receivable was due from one donor.

(6) Plant Assets

Plant assets consist of the following at June 30, 2014 and 2013:

	2014	2013
Land	\$ 21,098,556	21,098,556
Buildings, improvements, and equipment	332,706,987	320,097,581
Library books	231,188	230,898
	354,036,731	341,427,035
Accumulated depreciation and amortization	(102,420,165)	(94,528,513)
	\$ 251,616,566	246,898,522

(7) Bonds Payable

On July 1, 2012, a remarketing agreement was entered into by Pratt Institute, Janney Montgomery Scott, LLC (remarketing agent), and the Dormitory Authority of the State of New York (DASNY) in connection with the reoffering and sale from time to time in the secondary market of all or part of the \$52,195,000 original aggregate principal amount of Pratt Institute Revenue Bonds, Series 2009A and Series 2009B bonds issued by DASNY under and pursuant to DASNY's Pratt Institute Revenue Bond Resolution adopted September 24, 2008, including the applicable Series 2009 Resolutions authorizing up to \$110,000,000 Pratt Institute Revenue Bonds (collectively, the Bonds), adopted by DASNY on September 24, 2008 and the Bond Certificates relating to the Bonds dated as of March 18, 2009. This remarketing agreement shall continue in full force and effect while the Bonds are outstanding subject to the right of the remarketing agent to resign as remarketing agent and the right of the Institute to remove the remarketing agent.

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On August 13, 2009, DASNY issued \$50,325,000 Insured Revenue Bonds Series 2009C on behalf of the Institute to finance the costs of the acquisition, construction, and equipping of an educational condominium building located at 526-542 Myrtle Avenue, Brooklyn, New York, establish the debt service reserve fund, and pay certain costs of issuance of the Series 2009C Bonds. With the issuance of the bonds and undertaking of the Myrtle Ave project, the Institute funded 23.83% of the property and building costs.

The Series 2009C Bonds are the third series of bonds issued under DASNY's Pratt Institute Revenue Bond Resolution adopted September 24, 2008 and established under the Series Resolution authorizing up to \$110,000,000. They are issued as fully registered bonds and bear interest from date of delivery, payable semiannually on July 1 and January 1 starting January 1, 2010. Interest due is one-sixth of the interest coming due on the immediately succeeding interest payment date. Principal and interest payments are made on the tenth day of each month directly to the bond trustee. Monthly principal payments are one-twelfth of the principal and sinking fund installment on the annual principal payment due on July 1.

The scheduled payment of the principal and sinking fund installments and interest on the Series 2009C Bonds are included in the bond documents and are guaranteed under a financial guaranty insurance policy issued on delivery date. The Series 2009C Bonds are subject to optional, special, and mandatory redemption and to purchase in lieu of redemption as described in the bond documents.

On March 19, 2009, DASNY issued \$33,775,000 of Insured Revenue Bonds Series 2009A on behalf of the Institute to advance refund the Series 1999 Bonds. The Institute used the Series 1999 bond proceeds to pay the construction costs for the completion of the 240-bed student residence hall building, Vincent A. Stabile Hall located at the Brooklyn campus; refinance a \$13,228,103 mortgage note payable due December 31, 1999; and pay for the acquisition, renovation, and furnishing of a condominium unit used for classrooms and exhibit space. The Series 2009A Bonds are due through July 1, 2028 with annual principal installments and semiannual interest payments.

On the same date, DASNY also issued \$18,420,000 Insured Revenue Bonds Series 2009B on behalf of the Institute to refund the Series 2005 Bonds. The Institute used the Series 2005 bond proceeds to complete the construction of Pratt Art Supply store and the Higgins Hall projects. The Series 2009B Bonds are due through July 1, 2034 with annual principal payment and semiannual interest payments.

The Series 2009 Bonds proceeds were also used to establish the applicable reserve funds and to pay costs of issuance. These bonds were issued as Variable Interest Rate Bonds and Option Bonds in the Weekly Rate Mode as set forth in the respective Bond Series Certificate delivered and bear interest at Weekly Rates for Weekly Rate Periods unless and until converted to a different Rate Mode. The Weekly Rate Mode is paid on the first business day of each month. At the election of the Institute, with the consent of DASNY, the Series 2009 Bonds may be converted to bear interest at a different Rate Mode.

The Series 2009 Bonds are subject to tender for purchase at the option of the holders on any business day upon seven days' notice to the Remarketing Agent and the Trustee during a Weekly Rate Period. These bonds are subject to mandatory tender upon conversion to a different Rate Mode, or upon the occurrence of certain events, including the expiration or termination of any Letter of Credit then in effect, the delivery of Substitute Letter of Credit and upon an event of default under the applicable Reimbursement Agreement (and the election by the Bank to effect a mandatory tender in connection therewith). The Series 2009A and

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Notes to Financial Statements

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(with comparative financial information as of June 30, 2013)

Series 2009B Bonds are backed by letters of credit (LOCs) from a financial institution. The LOCs that expired in March 2014 were extended to June 2015.

The bond agreements require the Institute to maintain a debt service fund and a debt service reserve fund on deposit with the bond trustee. The balances in the debt service reserve funds were \$5,036,062 and \$5,041,246 and debt service funds were \$4,132,131 and \$4,030,451 at June 30, 2014 and 2013, respectively, and are invested in marketable securities (U.S. Treasury notes) and, as such, are considered Level 1 in the fair value hierarchy.

In order to hedge the Institute's interest rate exposure on the Series 2009A and Series 2009B Bonds, the Institute has entered into swap agreements with TD Bank, N.A. and Societe Generale, New York Branch. The swap with TD Bank, N.A. matured on April 1, 2014. The outstanding notional principal amounts of the remaining swaps and other related information as of June 30, 2014 are as follows:

Effective date	Notional amount	Termination date
January 6, 2005	\$ 8,050,000	2034
March 1, 2006	7,990,000	2034

Under the terms of the 2005 Swap Agreements, the Institute pays interest at predetermined fixed rates (3.600% and 3.582% for the swap agreements effective January 6, 2005 and March 1, 2006, respectively) and receives variable rates, which for both swap agreements, are calculated as 67% of the one-month LIBOR. The fair value of the derivative instruments of \$(2,707,771) and \$(3,192,810) is reflected as a swap liability as of June 30, 2014 and 2013, respectively, and is based on Level 2 inputs. The fair value of the interest rate swaps was determined using pricing models developed based on the LIBOR swap rate and other market data. Unrealized appreciation in the fair value of the derivative instruments during 2014 and 2013 totaled \$485,039 and \$1,958,778, respectively, and is reflected on the accompanying statement of activities as a nonoperating activity.

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(with comparative financial information as of June 30, 2013)

The minimum annual payments for principal and interest (ranging from 2.5% to 5.125%) are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total debt service</u>
Fiscal year ending June 30:			
2015	\$ 2,955,000	3,445,948	6,400,948
2016	3,055,000	3,402,910	6,457,910
2017	3,170,000	3,302,130	6,472,130
2018	3,305,000	3,193,544	6,498,544
2019	3,425,000	3,080,427	6,505,427
Thereafter	<u>75,280,000</u>	<u>32,289,825</u>	<u>107,569,825</u>
	91,190,000	48,714,784	139,904,784
Unamortized bond discount	<u>200,371</u>	—	<u>200,371</u>
	<u>\$ 90,989,629</u>	<u>48,714,784</u>	<u>139,704,413</u>

Costs incurred in connection with the issuance of the bonds were deferred and are being amortized using the straight-line method over the term of the bonds. At June 30, 2014 and 2013, unamortized deferred bond issuance costs were \$2,889,659 and \$3,032,117, respectively, and are included in prepaid expenses and other assets in the accompanying balance sheet.

Interest expense on the Series 2009 Bonds was \$3,359,702 and \$3,524,472 for the years ended June 30, 2014 and 2013, respectively.

The bond agreements contain certain financial covenants. The Institute is in compliance with these financial covenants at June 30, 2014 and June 30, 2013.

(8) Note Payable

On July 8, 2010, the Institute entered into an agreement with RBS Citizens Bank for a note payable in the amount of \$10,000,000 for financing the construction of the commercial space of the Myrtle Hall Building (the Note). The Note is subject to a floating interest rate based on 30-day LIBOR plus 2.500% (2.651% at June 30, 2014) and the principal is payable at a fixed rate of \$41,668 per month based on 20-year amortization commencing on August 1, 2010. The maturity date of the Note is July 8, 2017 with a balloon payment of \$6,500,000 due on this date. On June 30, 2014 and 2013, the balance of the principal outstanding was \$8,000,000 and \$8,500,000, respectively. Total interest paid during the years ended June 30, 2014 and 2013 was \$223,837 and \$241,481, respectively.

(9) Conditional Asset Retirement Obligations

The Institute has identified asbestos abatement as a conditional asset retirement obligation for certain of its properties. Accretion expense associated with obligations was \$196,307 and \$190,655 in 2014 and 2013, respectively.

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Notes to Financial Statements

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(10) Net Assets

Unrestricted net assets at June 30, 2014 and 2013 consist of the following:

	2014	2013
Designated for sponsored programs	\$ 2,396,417	2,652,280
Accumulated deficit – Pratt Center operating activities	(1,884,525)	(1,879,012)
Accumulated deficit – Provost projects	(320,390)	—
Designated for investment – quasi-endowment	54,179,133	44,179,133
Cumulative investment gains from quasi-endowment investments	23,733,536	13,266,933
Cumulative investment gains from other investments	—	3,832,191
Designated for student loans	4,039,760	3,771,741
Designated for scholarships – quasi-endowment	7,362,312	6,943,902
Designated for capital improvements	12,628,317	25,732,653
Net investment in plant assets	138,475,728	130,605,183
	\$ 240,610,288	229,105,004

Temporarily restricted net assets at June 30, 2014 and 2013 are available for the following purpose:

	2014	2013
Sponsored programs	\$ 5,942,911	4,394,405
Accumulated appreciation on donor-restricted endowment	23,494,050	15,750,324
Time restriction	3,055,149	4,911,082
	\$ 32,492,110	25,055,811

Permanently restricted net assets at June 30, 2014 and 2013 are restricted to investments in perpetuity, the income from which is expendable to support:

	2014	2013
General operations	\$ 7,007,963	7,007,963
Scholarships	35,032,020	34,223,530
Other	1,582,958	1,582,957
	\$ 43,622,941	42,814,450

(11) Postretirement Plan

The Institute sponsors a postretirement healthcare plan that covers all full-time employees. The cost of postretirement benefits other than pensions is recognized on an accrual basis as employees perform services to earn benefits.

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The postretirement healthcare plan is contributory for some retirees, with retiree contributions adjusted annually. The Institute's funding policy for the plan is pay as you go. Information with respect to the plan is as follows:

	<u>2014</u>	<u>2013</u>
Change in projected benefit obligation:		
Benefit obligation at beginning of year	\$ 66,465,334	65,758,266
Service cost	3,590,236	3,696,594
Interest cost	2,956,323	2,644,539
Actuarial gain	(67,997)	(4,857,768)
Assumption change	11,158,113	333,354
Benefits paid	<u>(1,369,175)</u>	<u>(1,109,651)</u>
Benefit obligation at end of year	<u>82,732,834</u>	<u>66,465,334</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	—	—
Employer contributions	1,369,175	1,109,651
Benefits paid	<u>(1,369,175)</u>	<u>(1,109,651)</u>
Fair value of plan assets at end of year	<u>—</u>	<u>—</u>
Accrued postretirement benefit obligation	\$ <u><u>(82,732,834)</u></u>	\$ <u><u>(66,465,334)</u></u>

The net periodic postretirement benefit cost for 2014 and 2013 includes the following components:

	<u>2014</u>	<u>2013</u>
Service cost	\$ 3,590,236	3,696,594
Interest cost	2,956,323	2,644,539
Amortization of transition obligation	181,048	181,048
Recognized actuarial loss	<u>944,633</u>	<u>1,755,422</u>
Net periodic benefit cost	\$ <u><u>7,672,240</u></u>	\$ <u><u>8,277,603</u></u>

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Weighted average assumptions used to determine benefit obligations and net periodic postretirement benefit costs for 2014 and 2013 were as follows:

	<u>2014</u>	<u>2013</u>
Benefit obligation weighted average assumptions at June 30, 2014 and 2013:		
Discount rate	4.25%	4.50%
Expected return on plan assets	N/A	N/A
Periodic benefit cost weighted average assumptions for the years ended June 30, 2014 and 2013:		
Discount rate	4.50%	4.00%
Expected return on plan assets	N/A	N/A

For measurement purposes, a 4% annual rate of increase in the per capita cost of covered healthcare and prescription drug benefits was assumed as of June 30, 2014. Effective June 30, 2014, this rate was increased to 10% grading down 1.5% per year to an ultimate rate of 3.75% in 2019. Assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthcare plans. It is estimated, based on actuarial calculations, that a one-percentage-point change in the healthcare trend rate would have the following effects:

	<u>One percentage increase</u>	<u>One percentage decrease</u>
Effect on total service and interest cost	\$ 1,447,343	(1,125,139)
Effect on postretirement benefit obligation	11,590,703	(9,257,941)

The Institute has not identified any provisions of healthcare reform that would be expected to have a significant impact on the measured obligation.

Projected benefit payments through 2024 are as follows:

	<u>Amount</u>
Year ending June 30:	
2015	\$ 2,228,956
2016	2,585,556
2017	2,862,076
2018	3,161,408
2019	3,431,829
Thereafter through 2024	<u>21,728,592</u>
	<u>\$ 35,998,417</u>

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In addition to service and interest costs, the components of projected net periodic postretirement benefit cost for fiscal year 2014 are amortization of the net transition obligation of \$181,048 and amortization of the net actuarial losses of \$944,633.

At June 30, 2014 and 2013, \$25,428,158 and \$15,463,723, respectively, was not yet recognized as a component of net periodic postretirement benefit cost. The components are as follows:

	<u>2014</u>	<u>2013</u>
Net actuarial losses	\$ 25,216,934	15,071,451
Net transition obligation	211,224	392,272
	<u>\$ 25,428,158</u>	<u>15,463,723</u>

(12) Pension Plans

The Institute sponsors a defined contribution plan, which covers substantially all full-time, nonmaintenance employees. The plan is fully funded by the purchase of annuity contracts. Total pension expense under this plan for the years ended June 30, 2014 and 2013 was \$2,017,773 and \$1,848,046, respectively.

The Institute also participates in three multiemployer union pension plans covering three of the five employee bargaining units, representing building trades and maintenance and security employees. The Institute makes contributions based on employee wages. The Institute's contributions to these multiemployer plans for the years ended June 30, 2014 and 2013 totaled \$492,427 and \$480,691, respectively.

The risks of participating in a multiemployer plan are different from single-employer plans in the following aspects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of participating employers.
- If a participating employer stops contributing to the multiemployer plan, the unfunded obligations of the plan may be borne by the remaining participating entities.
- If a participating employer petitions to stop participating in the multiemployer plan, the employer may be required to pay the plan a withdrawal liability based on the funded status of the plan.

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The following provides summarized information for each of the multiemployer plans in which the Institute participates as of the two most recent years available:

<u>Plan legal name</u>	<u>Actuarial valuation date</u>	<u>EIN/ Pension plan number</u>	<u>Actuarial present value of accumulated plan benefits</u>	<u>Plan assets</u>	<u>Zone status</u>
National Conference of Firemen and Oilers National Pension Fund	January 1, 2013	52-6085445 – 003	\$ 51,138,678	36,512,441	Yellow
Building Service 32BJ Pension Fund	July 1, 2013	13-1879376 – 001	3,136,731,495	1,788,530,334	Red
Local 153 Pension Fund	January 1, 2013	13-2864289 – 001	350,823,716	201,094,330	Red

<u>Plan legal name</u>	<u>Actuarial valuation date</u>	<u>EIN/ Pension plan number</u>	<u>Actuarial present value of accumulated plan benefits</u>	<u>Plan assets</u>	<u>Zone status</u>
National Conference of Firemen and Oilers National Pension Fund	January 1, 2012	52-6085445 – 003	\$ 49,444,765	35,953,824	Yellow
Building Service 32BJ Pension Fund	July 1, 2012	13-1879376 – 001	3,061,159,029	1,784,859,895	Red
Local 153 Pension Fund	January 1, 2012	13-2864289 – 001	347,128,054	219,767,600	Red

The zone status is based on information that the Institute received from the plan sponsors and, as required by the Pension Protection Act (PPA), is certified by each plan’s actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded.

A financial improvement plan or a rehabilitation plan, as required by the PPA, has been implemented by the plan sponsor in each instance. The expiration dates of the collective bargaining agreements requiring contributions to the plans are as follows: National Conference of Firemen and Oilers National Pension Fund: March 15, 2015; Building Service 32BJ Pension Fund: April 20, 2018; and Local 153 Pension Fund: October 31, 2016.

(13) Insurance Benefits for Employees

The Institute sponsors an insurance plan for employee medical benefits, exclusive of those benefits provided by health maintenance organizations. Under the provisions of this plan, an insurance carrier provides claims processing and administrative functions, as well as stop-loss coverage for annual claims (on a calendar-year basis). The expenses for this program for the years ended June 30, 2014 and 2013 totaled \$1,505,037 and \$1,043,628, respectively, of which approximately \$100,000 was payable at June 30, 2014 and 2013.

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(with comparative financial information as of June 30, 2013)

(14) Expenses

Expenses are reported in the statement of activities in categories recommended by the National Association of College and University Business Officers. Operation and maintenance of plant, including depreciation and amortization expense and interest expense, are allocated among the functional expense categories based on management's best estimate of each function's proportionate share of the total expense. The Institute's primary program services are instruction, public service, academic support, student services, and auxiliary enterprises. Institutional support includes fund-raising expenses of \$3,343,682 and \$3,346,073 for the years ended June 30, 2014 and 2013, respectively.

(15) Operating Leases

The Institute is committed under certain operating lease agreements, including equipment leases, which expire at various dates through July 31, 2017. Such leases require approximate minimum annual rental payments as follows:

	<u>Amount</u>
Fiscal year ending June 30:	
2015	\$ 1,028,817
2016	491,757
2017	69,157
2018	<u>25,807</u>
	<u>\$ 1,615,538</u>

Certain leases contain escalation clauses that require payments of additional rent to the extent of increases in the related operating costs. Rent expense, including escalations, for the years ended June 30, 2014 and 2013 was approximately \$1,824,146 and \$1,784,005, respectively.

(16) Commitments and Contingencies

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

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(17) Pratt Center

The Pratt Center for Community Development (the Center) is legally a part of the Institute and was established in 1963 as a university-based advocacy planning center that works for social, economic, and environmental justice by empowering communities to realize their future. All financial activities of the Center are included in the Institute's balance sheet and statement of activities. For the fiscal year ended June 30, 2014, the Center's unrestricted net operating deficit was \$5,512, net of the Institute's contribution of \$250,000. Included in the Institute's current operating budget is a \$350,000 contribution toward Pratt Center's fiscal year 2014–2015 operations. Net Accumulated Deficit as of June 30, 2014 is \$1,884,525 to be covered by future receivable collections and revenue. At June 30, 2014, gross receivables included in the accompanying balance sheet totaled \$507,731.

(18) Insurance Recoveries

During 2013, a fire occurred in the Main Building of the Institute. As a result of the fire, the Main Building sustained fire, smoke, and water damage. As of June 30, 2014, a total of \$11,729,772 was paid by insurance carrier. In fiscal year 2013, an amount of \$500,000 was provided to the Institute to assist in cleanup costs and provide for temporary locations for the studios and classrooms that were displaced. In fiscal year 2014, \$635,287 of noncapital expenses were charged directly to the insurance claim amount and the remaining insurance recovery of \$10,594,485 is included in unrestricted operating revenue of the Institute's statement of activities for the year ended June 30, 2014. A total renovation and construction cost of \$11,876,089 was capitalized in fiscal year 2014 and \$659,631 in fiscal year 2013.

(19) Subsequent Events

In October 2014, the Institute purchased a building in Brooklyn, New York, for approximately \$11,000,000. The Institute evaluated subsequent events after the balance sheet date of June 30, 2014 through December 3, 2014, which was the date the financial statements were issued and concluded that no additional disclosures were necessary.

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

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SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

The following is a brief summary of certain provisions of the Loan Agreement pertaining to the Series 2015A Bonds and the Projects. Such summary does not purport to be complete and reference is made to the Loan Agreement for the full and complete statements of such and all provisions. Defined terms used in the Loan Agreement shall have the meanings ascribed to them in Appendix A.

Construction of the Project

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

(Section 5)

Project Amendment; Cost Increases; Sale or Conveyance

The Project may be amended by agreements supplementing the Loan Agreement by and between the Authority and the Institute, to decrease, increase or otherwise modify the scope thereof. The Authority will not unreasonably withhold or delay its consent to any such amendment. 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.

(Section 6)

Financial Obligations; Nature of Obligations

(a) The Institute, pursuant to the Loan Agreement, unconditionally agrees to pay, so long as Bonds are Outstanding, to or upon the order of the Authority, from its general funds or any other money legally available to it:

(i) On or before the date of delivery of the Series 2015A Bonds, the Authority Fee agreed to by the Authority and the Institute in connection with issuance of the Series 2015A Bonds;

(ii) On or before the date of delivery of the Series 2015A 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 the Series 2015A Bonds, and other costs in connection with the issuance of the Series 2015A Bonds;

(iii) On the tenth (10th) day of each month, commencing on February 10, 2015 to and including June 10, 2015 one-fifth (1/5th) of the interest coming due on July 1, 2015, and on the tenth (10th) day of each month thereafter, commencing on July 10, 2015, one-sixth (1/6th) of the interest coming due on the Series 2015A Bonds on the immediately succeeding interest payment date therefor;

(iv) On the tenth (10th) day of each month commencing February 10, 2015 to and including June 10, 2015, one-fifth (1/5th) of the principal and Sinking Fund Installments coming due on July 1, 2015, and on the tenth (10th) day of each month thereafter, commencing July 10, 2015,

one-twelfth (1/12th) of the principal and Sinking Fund Installment on the Series 2015A Bonds coming due on the next succeeding July 1;

(v) Unless the redemption of Series 2015A Bonds at the option of the Authority or any purchase thereof in lieu of optional redemption is subject to the condition that sufficient money is available on the redemption date or the purchase date, on or prior to the date any notice of optional redemption or purchase in lieu of optional redemption is given, the Redemption Price or purchase price of the Series 2015A Bonds previously called for redemption or to be purchased;

(vi) Promptly upon receipt of a Deficiency Notice, but in no event more than fifteen (15) days after such notice is given to the Institute, the amount required to restore the Debt Service Reserve Fund to its requirement;

(vii) On December 10 of each Bond Year, one-half (1/2) of the Annual Administrative Fee payable during such Bond Year, and on June 10 of each Bond Year the balance of the Annual Administrative Fee payable during such Bond Year, **provided, however**, that the installation due on June 10, 2015 shall be in the amount set forth in Exhibit A to the Loan Agreement.

(viii) Promptly after notice from the Authority, but in any event not later than fifteen (15) days after such notice is given, the amount set forth in such notice as payable to the Authority (i) for the Authority Fee then unpaid, (ii) to reimburse the Authority for payments made by it pursuant to paragraph (e) of this section and any expenses or liabilities incurred by the Authority pursuant to the Loan Agreement, (iii) to reimburse the Authority for any external costs or expenses incurred by it attributable to the issuance of the Series 2015A Bonds or the financing or construction of the Project, including, but not limited to, costs and expenses of insurance and auditing, (iv) for the costs and expenses incurred by the Authority to compel full and punctual performance by the Institute of all the provisions of the Loan Agreement, or of the Mortgage or the Security Agreement in accordance with the terms of the Loan Agreement and thereof, and (v) for the fees and expenses of the Trustee and any Paying Agent in connection with performance of their duties under the Resolution and the Series Resolution;

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

(x) Promptly upon demand by the Authority, the difference between the amount on deposit in the Arbitrage Rebate Fund or otherwise available therefor for the payment of any rebate required by the Code to be made 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 Series 2015A Bonds.

Subject to the provisions of the Loan Agreement and of the Resolution or the Series Resolution, the Institute shall receive a credit against the amount required to be paid by the Institute during a Bond Year pursuant to paragraph (v) of this subsection (a) on account of a Sinking Fund Installment if, prior to the date notice of redemption is given for the redemption of the Series 2015A Bonds to be redeemed through such Sinking Fund Installment from the money otherwise required to be paid pursuant to paragraph (v), the Institute delivers to the Trustee for cancellation one or more Series 2015A Bonds to be so redeemed. The amount of the credit shall be equal to the principal amount of the Series 2015A Bonds so delivered.

The Authority by the Loan Agreement directs the Institute, and the Institute by the Loan Agreement agrees to make: (1) the payments required by subparagraphs (iii), (iv), and (ix) of this paragraph (a), directly to the Trustee for deposit in the Debt Service Fund and application in accordance with the Resolution or the Series Resolution; (2) the payments required by subparagraph (v) of this paragraph (a), directly to the Trustee for payment of the Redemption

Price or purchase price of Series 2015A Bonds called for optional redemption or purchase in lieu of optional redemption; (3) the payments required by subparagraph (vi) of this paragraph (a), directly to the Trustee for deposit to the Debt Service Reserve Fund; (4) the payments required by subparagraph (ii) of this paragraph (a), directly to the Trustee for deposit in the Construction Fund or other fund or account established under the Resolution or the Series Resolution, as directed by the Authority; (5) the payments required by subparagraph (ix) of this paragraph (a), directly to the Trustee for application in accordance with the Resolution; (6) the payments required by subparagraph (x) of this paragraph (a), directly to the Trustee for deposit in the Arbitrage Rebate Fund, and (7) the payments required by subparagraphs (i) and (viii) of this paragraph (a) directly to the Authority.

(b) Notwithstanding any provision in the Loan Agreement or in the Resolution or the Series Resolution to the contrary (except as otherwise specifically provided for in this paragraph), (1) all money paid by the Institute to the Trustee pursuant to subparagraphs (iii), (iv), (v) and (ix) of paragraph (a) of this subsection (other than money received by the Trustee pursuant to the Resolution which shall be retained and applied by the Trustee for its own account) shall be received by the Trustee as agent for the Authority in satisfaction of the Institute's indebtedness to the Authority with respect to the interest on and principal or Redemption Price of the Series 2015A Bonds to the extent of such payment are applied to the payment of the principal or Redemption Price of or interest on the Series 2015A Bonds, and (2) the transfer by the Trustee of any money (other than money described in clause (1) of this paragraph (b)) held by it in the Construction Fund to the Debt Service Fund in accordance with the applicable provisions of the Loan Agreement or of the Resolution shall be deemed, upon such transfer, receipt by the Authority from the Institute of a payment in satisfaction of the Institute's indebtedness to the Authority with respect to the Redemption Price of the Series 2015A Bonds to the extent of the amount of money transferred. Immediately after receipt or transfer of such money, as the case may be, by the Trustee, the Trustee shall hold such money in trust in accordance with the applicable provisions of the Resolution and the Series Resolution for the sole and exclusive benefit of the Bondholders, regardless of the actual due date or applicable payment date of any payment to the Bondholders, except in respect to the payment to the Institute by the Trustee as provided for in the Resolution.

(c) The obligations of the Institute 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 Institute 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 Institute to complete the Project or the completion thereof with defects, failure of the Institute to occupy or use the Project, any declaration or finding that the Series 2015A Bonds are or the Resolution or the Series Resolution is invalid or unenforceable or any other failure or default by the Authority or the Trustee; *provided, however*, that nothing in the Loan Agreement shall be construed to release the Authority from the performance of any agreements on its part in the Loan Agreement contained or any of its other duties or obligations, and in the event the Authority shall fail to perform any such agreement, duty or obligation, the Institute 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 Institute for, or to pay, the Costs of the Project beyond the extent of money in the Construction Fund.

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

(d) The Authority, for the convenience of the Institute, shall furnish to the Institute 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 by the Loan Agreement. The Institute shall notify the Authority as to the amount and date of each payment made to the Trustee by the Institute.

(e) The Authority shall have the right in its sole discretion to make on behalf of the Institute any payment required pursuant to this section which has not been made by the Institute when due. No such payment by the Authority

shall limit, impair or otherwise affect the rights of the Authority under the Loan Agreement arising out of the Institute'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 Institute to make such payment.

(f) The Institute, if there is not then an Event of Default under the Loan Agreement, shall have the right to make voluntary payments in any amount to the Trustee. In the event of a voluntary payment, the amount so paid shall be deposited in accordance with the directions of the Authority in the Debt Service Fund or held by the Trustee for the payment of Series 2015A Bonds in accordance with the Resolution. Upon any voluntary payment by the Institute or any deposit in the Debt Service Fund made pursuant to paragraph (b) of this section, the Authority agrees to direct the Trustee to purchase or redeem Series 2015A Bonds in accordance with the Resolution or to give the Trustee irrevocable instructions in accordance with the Resolution; *provided, however*, that in the event such voluntary payment is in the sole judgment of the Authority sufficient to pay all amounts then due under the Loan Agreement and under the Resolution or the Series Resolution, and to purchase or redeem all Series 2015A Bonds then Outstanding, or to pay or provide for the payment of all Series 2015A Bonds then Outstanding in accordance with the Resolution, the Authority agrees, in accordance with the instructions of the Institute, to direct the Trustee to purchase or redeem all Series 2015A Bonds Outstanding, or to cause all Series 2015A Bonds Outstanding to be paid or to be deemed paid in accordance with the Resolution.

(g) As soon as practicable after the Project is deemed to be complete in accordance with the Loan Agreement, the Authority shall determine, and notify the Institute of, the actual Authority Fee incurred by the Institute in connection with the Project to the date of such notice. The balance, if any, of such Authority Fee then unpaid, to the extent not paid from the Construction Fund, shall be paid by the Institute pursuant to paragraph (a) of this section. If upon such determination the actual amount of the Authority Fee incurred by the Institute in connection with the Project to the date of such notice is less than the amount paid theretofore, the Authority shall promptly refund to the Institute the amount paid in excess of such actual amount.

(Section 9)

Security Interest in Gross Receipts

Simultaneously with issuance of the Series 2015A Bonds, the Institute, as security for the payment of all liabilities and the performance of all obligations of the Institute pursuant to the Loan Agreement, shall grant to the Authority pursuant to the Security Agreement a continuing security interest in the Gross Receipts.

The Institute represents and warrants that no part of the Gross Receipts or any right to receive or collect the same or the proceeds thereof is subject to any Lien or assignment, other than Prior Pledges, and that the Gross Receipts are legally available to provide security for the Institute's performance under the Loan Agreement. The Institute covenants that it shall not after the Loan Agreement create or permit the creation of any Lien on the Gross Receipts which is prior or equal to the security interest created pursuant to the Security Agreement to secure the Institute's obligations under the Loan Agreement other than Liens to secure Parity Debt.

(Section 11)

Mortgage

(a) At or before the delivery by the Authority of the Series 2015A Bonds, the Institute shall execute and deliver to the Authority the Mortgage, in recordable form and in all other respects in form and substance acceptable to the Authority, mortgaging the Institute's fee estate in the Mortgaged Property to the Authority, which Mortgage shall constitute a first lien on such Mortgaged Property, subject only to the Permitted Liens.

The Authority 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 such Mortgaged Property, and release from the lien thereon any property subject to such Mortgage or security interest,

all upon such terms and conditions as the Authority may reasonably require, which may include, among other conditions, that the Institute pay to the Trustee for deposit in the Debt Service Fund an amount not to exceed the principal amount of the Series 2015A Bonds Outstanding at the date of such transfer, sale or conveyance, as such amount is determined by the Authority. Notwithstanding the foregoing, the Institute may remove equipment, furniture or fixtures in the Mortgaged Property provided that the Institute substitutes equipment, furniture or fixtures having a value and utility at least equal to the equipment, furniture or fixtures removed or replaced.

(Section 12)

Warranty as to Title; Liens; Title Insurance

The Institute warrants and represents to the Authority that (i) it has or will have good and marketable title to the Project and the Mortgaged Property, free and clear of Liens, except Permitted Liens, so as to permit it to have quiet enjoyment and use thereof for purposes of the Loan Agreement and the Institute's programs and (ii) the Institute has or will have such rights of way, easements or other rights in land as may be reasonably necessary for ingress and egress to and from the Project and all Mortgaged Property, for proper operation and utilization of the Project and the Mortgaged Property and for utilities required to serve the Project and the Mortgaged Property, together with such rights of way, easements or other rights in, to and over land as may be necessary for construction by the Institute of each the Project.

The Institute covenants that title to the Project and the Mortgaged Property shall be kept free from any Liens or commitments of any kind, other than Permitted Liens and such other Liens, commitments with respect thereto or other matter approved in writing by the Authority.

The Institute agrees to provide or reimburse the Authority for providing at the sole option of the Authority (i) a title insurance policy in form and substance, and by insurer(s), reasonably acceptable to the Authority, in the amount of the aggregate principal amount of the Series 2015A Bonds issued or such other amount as is acceptable to the Authority, insuring the Mortgage to be a valid first mortgage lien on the Mortgaged Property, free and clear of other Liens except Permitted Liens, and (ii) a current survey or surveys, including a metes and bounds description, of the Mortgaged Property, certified to the Authority and the issuer of the title insurance policy and showing any easements to which the Mortgaged Property is subject.

The Institute warrants, represents and covenants that (i) the Project and the Mortgaged Property shall be serviced by all necessary utilities (including, to the extent applicable, without limitation, electricity, gas, water, sewer, steam, heating, air-conditioning and ventilation), and (ii) to the extent applicable, the Project and Mortgaged Property shall have its own separate and independent means of access, apart from any other property owned by the Institute or others. Such access, however, may be through common roads or walks owned by the Institute used also for other parcels owned by the Institute.

(Section 13)

Consent to Pledge and Assignment

(a) The Institute consents to and authorizes the assignment, transfer or pledge by the Authority to the Trustee of (i) the Authority's rights to receive the payments required to be made pursuant to Section 9 of the Loan Agreement, (ii) the security interests granted by the Institute to the Authority, including without limitation the security interest in the Gross Receipts, the Mortgage, any security interest in the fixtures, furnishings and equipment located or used in connection with the Mortgaged Property and (iii) all funds and accounts established by the Series Resolution pledged under the Resolution, in each case to the extent pledged and assigned pursuant to or in accordance with the Resolution, to secure any payment or the performance of any obligation of the Institute under the Loan Agreement or arising out of the transactions contemplated by the Loan Agreement whether or not the right to enforce such payment or performance shall be specifically assigned by the Authority to the Trustee. The Institute 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 this section, 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 Institute's obligation to make all payments required by the Loan Agreement and to performing all other obligations required to be performed by the Institute under the Loan Agreement. Any realization upon the Mortgaged Property or security interest in the Gross Receipts shall not, by operation of law or otherwise, result in cancellation or termination of the Loan Agreement or the obligations of the Institute under the Loan Agreement.

(b) The Institute warrants and represents that:

(i) it has the requisite power and authority (1) to enter into the Loan Agreement, (2) to incur the indebtedness contemplated thereby, (3) to make and deliver the Mortgage and the Security Agreement, and to pledge, grant a security interest in and assign to the Authority and the Trustee, for the benefit of the Bondholders, the Mortgaged Property and Gross Receipts in the manner and to the extent provided in the Loan Agreement, therein and in the Resolution and the Series Resolution;

(ii) the Loan Agreement, the Security Agreement and the Mortgage are valid, binding and legally enforceable obligations of the Institute in accordance with their respective terms; provided, however, that such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting or relating to the rights of creditors generally and general principles of equity;

(iii) the execution and delivery of the Loan Agreement, the Security Agreement and the Mortgage, and the consummation of the transactions contemplated by the Loan Agreement and thereby and compliance with the provisions of the Loan Agreement and thereof do not violate, conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, the charter or by-laws of the Institute or any indenture or mortgage, or any trusts, endowments or other commitments or agreements to which the Institute is party or by which it or any of its properties are bound, or any existing law, rule, regulation, judgment, order, writ, injunction or decree of any governmental authority, body, agency or other instrumentality or court having jurisdiction over the Institute or any of its properties; and

(iv) the Gross Receipts and the Mortgaged Property are free and clear of any Lien or other charge prior thereto, or of equal rank therewith, other than the Permitted Liens, and that all corporate action on the part of the Institute to that end has been duly and validly taken.

(c) The Institute covenants that:

(i) the Gross Receipts and the Mortgaged Property shall be kept free and clear of any Lien or other charge prior thereto, or of equal rank therewith, other than the Permitted Liens; and

(ii) it shall at all times, to the extent permitted by law, defend, preserve and protect the pledge, security interest in and assignment of the Gross Receipts, the Mortgage, and all of the rights of the Authority, and of the Trustee as the assignee of the Authority, against all claims and demands of all persons whomsoever.

(Section 14)

Tax-Exempt Status

The Institute represents that (i) it is an organization described in Section 501(c)(3) of the Code, or corresponding provisions of prior law, and is not a "private foundation," as such term is defined under Section 509(a) of the Code, (ii) it has received a letter or other notification from the Internal Revenue Service to that effect, (iii) such

letter or other notification has not been modified, limited or revoked, (iv) it is in compliance with all terms, conditions and limitations, if any, contained in such letter or other notification, (v) the facts and circumstances which form the basis of such letter or other notification as represented to the Internal Revenue Service continue to exist, and (vi) it is exempt from federal income taxes under Section 501(a) of the Code except for unrelated business income tax subject to taxation under Section 511 of the Code.

The Institute covenants 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 Institute as an organization within the meaning of Section 501(c)(3) of the Code or any successor provision of federal income tax law and (b) it shall not perform any act, enter into any agreement or use or permit the Project to be used in any manner, or for any trade or business or other non-exempt use unrelated to the purposes of the Institute, which could adversely affect the exclusion of interest on the Series 2015A Bonds from federal gross income pursuant to Section 103 of the Code.

(Section 15)

Use and Control of the Project; Restrictions on Religious Use

Subject to the rights, duties and remedies of the Authority under the Loan Agreement, the Institute shall have sole and exclusive control and possession of and responsibility for (i) the Project, (ii) the Mortgaged Property, (iii) the operation of the Project and the Mortgaged Property and supervision of the activities conducted therein or in connection with any part thereof, and (iv) 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 Institute in furtherance of the Institute's purposes if such use will not adversely affect the exclusion of interest on the Series 2015A Bonds from gross income for federal income tax purposes.

The Institute agrees that with respect to the Project or portion thereof, so long as the Project or portion thereof exists and unless and until the Project or portion thereof is sold for the fair market value thereof, the Project or any 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 after the Loan Agreement, in the opinion of Bond Counsel, the then applicable law would permit the Project or a portion thereof to be used without regard to the above stated restriction, said restriction shall not apply to the 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 of real property thereof financed by Series 2015A Bonds is being used for any purpose proscribed by the Loan Agreement. The Institute by the Loan Agreement 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 the Project to the restriction that (i) so long as such portion of the Project (and, if included in the Project, the real property on or in which such portion of the Project is situated) shall exist and (ii) until such portion of the 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 the 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 this section 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.

(Section 19 & 20)

Maintenance, Repair and Replacement

The Institute 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 condition, reasonable wear and tear excepted, 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 Institute shall not make any change or alteration of a structural nature in or to the Project and the Mortgaged Property without the prior written consent of the Authority, such consent not to be unreasonably withheld or delayed.

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

(Section 21)

Covenant as to Insurance

(a) The Institute agrees to maintain or cause to be maintained insurance with insurance companies or by means or self-insurance, insurance of such type, against such risks and in such amounts as are customarily carried by private colleges and universities located in the State of a nature similar to that of the Institute, 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 Institute shall at all times also maintain worker's compensation coverage and disability benefits insurance coverage as required by the laws of the State.

(b) The Institute shall furnish to the Authority annually (1) a certificate or report of an Insurance Consultant that the insurance coverage maintained by the Institute is adequate and in accordance with the standards above, and (2) any certificates of workers' compensation insurance and disability benefits insurance coverage required by the New York State Workers' Compensation Board.

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

(Section 22)

Damage or Condemnation

In the event of a taking of the Project or the Mortgaged Property or any portion thereof by eminent domain or of condemnation, damage or destruction affecting all or part of the Project or the Mortgaged Property, then and in such event the entire proceeds of any insurance, condemnation or eminent domain award shall be paid upon receipt thereof by the Institute or the Authority as the Authority may determine or direct, and

(i) if within one hundred twenty (120) days from the receipt by the Authority of actual notice or knowledge of the occurrence, the Institute and the Authority agree in writing (such agreement not to be unreasonably withheld or delayed) that the Project, the Mortgaged Property or the affected portion thereof shall be repaired, replaced or restored, the Institute shall proceed to repair,

replace or restore the Project, the Mortgaged Property or the affected portion thereof, including all fixtures, furniture, equipment and effects, to its original condition insofar as commercially possible with such changes and additions as shall be appropriate to the needs of the Institute and approved in writing by the Authority. The funds required for such repair, replacement or restoration shall be paid from time to time as the work progresses, subject to such conditions and limitations as the Authority may reasonably impose, from the proceeds of insurance, condemnation or eminent domain awards received by reason of such occurrence and, to the extent such proceeds are not sufficient, from funds to be provided by the Institute; or

(ii) if no agreement for the repair, restoration or replacement of the Project, the Mortgaged Property or the affected portion thereof shall be reached by the Authority and the Institute within such one hundred twenty (120) day period, all respective proceeds (other than the proceeds of builders' risk insurance which shall be deposited pursuant to the Resolution and the Series Resolution) shall be transferred from the Construction Fund in which such proceeds were deposited to the Debt Service Fund for the redemption at par, at the option of the Authority of Series 2015A Bonds on any future interest payment date.

(Section 23)

Reporting Requirements; Access to Records

(a) **Reporting Requirements.** The Institute shall furnish or cause to be furnished to the Authority, the Trustee, and such other persons as the Authority may designate:

(i) within thirty (30) days after the beginning of each Fiscal Year of the Institute, the budget for such Fiscal Year;

(ii) within sixty (60) days after the end of the second quarter of the Institute's Fiscal Year, (A) internally prepared management reports certified by the chief financial officer of the Institute, together with variance reports of the Institute certified to by management of the Institute as being true, complete and correct in all material respects, and (B) a certificate of an Authorized Officer of the Institute stating either that (a) the Institute is not in default of any of its obligations or covenants under the Resolution or the Loan Agreement or, if an Event of Default hereunder, or, to the best of the Institute's knowledge, an event that, with the giving of notice or the passage of time, or both, would constitute such an Event of Default, has occurred and is continuing, (b) the nature thereof and the action that the Institute proposes to take with respect thereto;

(iii) annually, within one hundred eighty (180) days after the end of the Institute's Fiscal Year, (A) a copy of the annual audited financial statements of the Institute 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 Institute, 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 an Authorized Officer of the Institute stating whether an Event of Default, or, to the best of the Authorized Officer's knowledge, an event that, with the giving of notice or the passage of time, or both, would constitute such an Event of Default, has occurred and is continuing, and, if such an Event of Default or such an event has occurred and is continuing, a statement as to the nature thereof, and (D) if such an Event of Default or such an event has occurred and is continuing, a certificate of an Authorized Officer of the Institute setting forth the action that the Institute proposes to take with respect thereto;

(iv) within sixty (60) days after each Testing Date that is not the last day of the Institute's Fiscal Year, and within one hundred eighty (180) days after each Testing Date that is the last day of the Institute's Fiscal Year, a certificate executed by the chief financial officer of the Institute (A) setting forth the Cash and Investments and outstanding Debt of the Institute, and (B) setting forth the Net Revenues Available for Debt Service and Maximum Annual Debt Service, and the calculation of the Debt Service Coverage Ratio, in each case as of the applicable Testing Date;

(v) 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 \$1,000,000 over 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 Institute;

(vi) prompt written notice, but in no event more than thirty (30) days after any loss or change, the loss or change in the chief executive officer, the chief operating officer, president, or chief financial officer of the Institute;

(vii) prompt written notice of any pending formation, acquisition, merger, consolidation, change in ownership or dissolution of or by the Institute and, within ten (10) days after any of the foregoing become effective;

(viii) prompt written notice of any change in name of the Institute;

(ix) such reports with respect to the condition of, and repairs, replacements, renovations, and maintenance, to the Project and the Mortgaged Property as the Authority may from time to time reasonably request;

(x) copies of all reports or notices given to any person that has provided credit enhancement in connection with Debt of the Institute or bonds issued on its behalf by a governmental body, where (1) the Institute's obligation to reimburse such person for money advanced by it pursuant to such credit enhancement is secured by a lien on the Gross Receipts or Mortgaged Property that is on a parity with the lien thereon securing the Institute's obligations hereunder and (2) such report or notice was required by any agreement between the Institute and such person entered into in connection with such credit enhancement;

(xi) copies of all reports, notice or other materials prepared by or on behalf of the Institute pursuant to or in satisfaction of its obligations under the Agreement to Provide Continuing Disclosure, among the Authority, the Institute, the Trustee and Digital Assurance Certification LLC, executed in connection with the Series 2015A Bonds; and

(xii) such other information respecting the business, property or the condition or operations, financial or otherwise, of the Institute as the Authority may from time to time reasonably request (other than information the Institute 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 Series 2015A Bonds for sale.

(b) **Access to Records.** At any and all reasonable times, upon reasonable notice, and from time to time, permit the Authority, 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 Institute and to discuss the affairs, finances and accounts of the Institute with any of their respective officers.

(Section 25)

Defaults and Remedies

- (a) As used in the Loan Agreement the term “Event of Default” shall mean:
- (i) the Institute shall default in the timely payment of any amount payable pursuant to the section above titled “Financial Obligations” or the payment of any other amounts required to be delivered or paid in accordance with the Loan Agreement, the Series Resolution or with the Resolution, and such default continues for a period in excess of seven (7) days;
 - (ii) the Institute 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 Institute by the Authority or the Trustee; **provided, however**, that if in the reasonable determination of the Authority such default cannot be remedied within thirty (30) days, it shall not constitute an Event of Default if cure is commenced within such period and is diligently pursued until the default is remedied;
 - (iii) as a result of any default in payment or performance required of the Institute under the Loan Agreement or any Event of Default under the Loan Agreement, whether or not declared, continuing or cured, the Authority shall be in default in the payment or performance of any of its obligations under the Resolution or an “event of default” (as defined in the Resolution) shall have been declared under the Resolution so long as such default or event of default shall remain uncured or the Trustee or Holders of the Series 2015A Bonds shall be seeking the enforcement of any remedy under the Resolution as a result thereof;
 - (iv) the Institute shall be in default under the Mortgage or the Security Agreement and such default continues beyond any applicable grace period;
 - (v) the Institute shall be in default on any Parity Debt and as a consequence thereof such Parity Debt has been or is capable of being declared immediately due and payable;
 - (vi) the Institute shall (A) be generally not paying its debts as they become due, (B) file, or consent by answer or otherwise to the filing against it of, a petition under the United States Bankruptcy Code or under any other bankruptcy or insolvency law of any jurisdiction, (C) make a general assignment for the benefit of its creditors, (D) consent to the appointment of a custodian, receiver, trustee or other officer with similar powers of itself or of any substantial part of its property, (E) be adjudicated insolvent or be liquidated or (F) take corporate action for the purpose of any of the foregoing;
 - (vii) a court or governmental authority of competent jurisdiction shall enter an order appointing, without consent by the Institute, 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 Institute, or any petition for any such relief shall be filed against the Institute and such petition shall not be dismissed within ninety (90) days;
 - (viii) the charter of the Institute shall be suspended or revoked;
 - (ix) a petition to dissolve the Institute shall be filed by the Institute with the legislature of the State or other governmental authority having jurisdiction over the Institute;

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

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

(xii) an order of a court having jurisdiction shall be made directing the sale, disposition or distribution of all or substantially all of the property belonging to the Institute, which order shall remain undismissed or unstayed for an aggregate of thirty (30) days; or

(xiii) a final judgment for the payment of money, which is not covered by insurance or reserves set aside by the Institute, and which, in the judgment of the Authority, will adversely affect the rights of the Bondholders, shall be rendered against the Institute and at any time after forty-five (45) days from the entry thereof, (i) such judgment shall not have been discharged or (ii) the Institute shall not have taken and be diligently prosecuting an appeal therefrom or from the order, decree or process upon which or pursuant to which such judgment shall have been granted or entered, and shall not have caused, within forty-five (45) days, the execution of or levy under such judgment, order, decree or process for the enforcement thereof, to have been stayed pending determination of such appeal.

(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 Institute 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 Series 2015A Bonds or the Construction Fund or otherwise to which the Institute may otherwise be entitled under the Loan Agreement, and, in the Authority's sole discretion, apply any such proceeds or money to payment of the Series 2015A Bonds in accordance with the Resolution;

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

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

(v) permit, direct or request the Trustee to liquidate all or any portion of the assets of the Debt Service Reserve Fund by selling the same at public or private sale in any commercially reasonable manner and apply the proceeds thereof and any dividends or interest received on investments thereof to the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of and interest on the Series 2015A Bonds, or any other obligation or liability of the Institute or the Authority arising from the Loan Agreement, the Series Resolution or from the Resolution;

(vi) realize upon the security interest in the Gross Receipts in accordance with the Security Agreement;

(vii) to the extent permitted by law, (A) enter upon the Project and complete the construction of the Project 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 Institute, consent to such entry being by the Loan Agreement given by the

Institute, (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 Institute 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 Institute 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 Institute, whether or not previously incorporated into the construction of the Project, and (D) in connection with the construction of the Project undertaken by the Authority pursuant to the provisions of this subparagraph (vii) (1) engage builders, contractors, architects, engineers and others for the purpose of furnishing labor, materials and equipment in connection with the construction of the Project, (2) pay, settle or compromise all bills or claims which may become liens against the Project or against any money of the Authority applicable to the construction of the 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 or defects in the title to the Project or against any money of the Authority applicable to the construction of the Project, and (3) take or refrain from taking such action under the Loan Agreement as the Authority may from time to time determine. The Institute 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 (vii) 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 Institute to the Authority upon demand. The Institute by 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 Institute for the purpose of exercising the rights granted to the Authority by this subparagraph (vii) during the term of the Loan Agreement;

(c) foreclose the Mortgage or take such other action as the Authority may consider necessary or appropriate to enable the Authority to realize on its lien on the Mortgaged Property, or by law, including foreclosure of the Mortgage, and any other action or proceeding as permitted by the Loan Agreement, by the Mortgage or by law; and

(d) 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 Institute of the time and place of such sale.

(e) All rights and remedies in the Loan Agreement given or granted to the Authority are, to the extent permitted by law, 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.

(f) 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 pursuant to subparagraph (i) of paragraph (a) of this section 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 28)

Investment of Money

The Institute by the Loan Agreement acknowledges that the Authority may in its sole discretion direct the investment of money held in the funds and accounts established by or pursuant to the Resolution or the Series Resolution as provided therein and that no representation or warranty has been made by the Authority with respect to interest rates on, or the amount to be earned as a result of, any such investment. Neither the Authority nor the Trustee shall have any liability arising out of or in connection with the making of any investment authorized by the provisions of the Resolution in the manner provided therein, for any depreciation in value of any investment or for any loss, direct or indirect, resulting from any such investment. The Authority by the Loan Agreement agrees that it shall direct the investment of the money held in the funds and accounts established in connection with the Series 2015A Bonds as soon as practicable when money is legally available therefor.

(Section 31)

Limitation on Agreements

The Institute shall not enter into any contract or agreement or perform any act which may adversely affect any of the assurances or rights of the Authority under the Loan Agreement or the Holders of any Bonds issued under the Resolution, including but not limited to the Series 2015A Bonds.

(Section 33)

Arbitrage; Tax Exemption

(a) Each of the Institute and the Authority covenants that it shall take no action, nor shall it approve the Trustee's taking any action or making any investment or use of the proceeds of Series 2015A Bonds, which would cause the Series 2015A Bonds or any Series of Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Code, and any proposed or final regulations thereunder as are applicable to the Series 2015A Bonds at the time of such action, investment or use. Neither the Institute nor any "related party" (as such term is defined for purposes of Section 148 of the Code) shall purchase any Series 2015A Bonds other than for delivery to and cancellation by the Trustee, unless the Trustee shall receive an opinion of Bond Counsel to the effect that the purchase by the Institute or by any such related party of Series 2015A Bonds will not cause interest on the Series 2015A Bonds to be included in the gross income of the owners of the Series 2015A Bonds for purposes of federal income taxation.

(b) The Institute covenants that it will not take any action or fail to take any action which would cause any representation or warranty of the Institute contained in a Tax Certificate then to be untrue and shall comply with all covenants and agreements of the Institute contained in each Tax Certificate, unless, in the opinion of Bond Counsel, taking or failing to take such action or failing to comply with its obligations under a Tax Certificate would not adversely affect the exclusion of interest on any Bonds from gross income for federal income tax purposes.

(c) In the event that the Authority is notified in writing that the Series 2015A Bonds or any transaction pertaining thereto is the subject of any Internal Revenue Service or Securities and Exchange Commission investigation, suit or order, it shall promptly give notice thereof to the Institute. In the event that the Institute is notified in writing that the Series 2015A Bonds or any transaction pertaining thereto is the subject of any Internal Revenue Service or Securities and Exchange Commission investigation, suit or order, it shall promptly give notice thereof to the Authority. Upon the occurrence of such an event, the Institute and the Authority shall fully cooperate with one another and participate in all aspects of the conduct of the response thereto.

(d) The Authority shall retain in its possession, so long as required by the Code, copies of all documents, reports and computations made by it in connection with the calculation of earnings and the rebate of all or a portion thereof to the Department of the Treasury of the United States of America, which shall be subject at all reasonable times to the inspection of the Institute and its agents and representatives, any of whom may make copies thereof. Upon written request therefor from the Institute the Authority shall as soon as practicable provide the Institute with a copy of

any such document, report or computation. The Authority shall also provide the Institute with a copy of all documents or reports filed with the Department of Treasury of the United States of America relating to the rebate of earnings.

(Section 34)

Certificate as to Representations and Warranties

The obligations of the Authority under the Loan Agreement and the delivery of the Series 2015A Bonds are conditioned upon the receipt by the Authority at or prior to delivery of the Series 2015A Bonds of a certificate of an Authorized Officer of the Institute acceptable to an Authorized Officer of the Authority to the effect that the representations and warranties contained in the Loan Agreement are true and correct and in full force and effect on and as of the date of delivery of the Series 2015A Bonds as if made on the date of delivery of the Series 2015A Bonds.

(Section 36)

Amendments to Loan Agreement

The Loan Agreement may be amended only in accordance with the Resolution and each amendment shall be made by an instrument in writing signed by an Authorized Officer of the Institute and the Authority, an executed counterpart of which shall be filed with the Trustee.

(Section 40)

Termination

The Loan Agreement shall remain in full force and effect until no Series 2015A Bonds are Outstanding and all other payments, expenses and fees payable under the Loan Agreement by the Institute shall have been paid or provision for the payment thereof have been made to the satisfaction of the Authority; *provided, however*, that the obligation of the Institute to indemnify the Authority under the Loan Agreement shall survive termination of the Loan Agreement. Upon termination of the Loan Agreement the Authority shall promptly deliver such documents as may be reasonably requested by the Institute to evidence such termination and the discharge of the Institute's duties under the Loan Agreement, including the satisfaction of the Mortgage and the termination of the security interest in the Gross Receipts and any fixture, furnishing and equipment.

(Section 41)

Debt Service Coverage Ratio

The Institute shall have on each Testing Date a Debt Service Coverage Ratio of not less than one hundred twenty-five percent (125%).

If (a) on two consecutive Testing Dates the Institute does not satisfy the Debt Service Coverage Ratio requirement, or (b) on any Testing Date the Debt Service Coverage Ratio falls below 110%, the Authority may require the Institute to retain a Management Consultant. Failure to maintain the required Debt Service Coverage Ratio, however, shall not be an Event of Default under the Loan Agreement.

(Section 1(a) of Exhibit D to the Loan Agreement)

Transfer of Assets

The Institute shall not, without the prior written consent of the Authority, transfer, sell, convey or dispose of any cash or non-cash assets other than in the normal course of business.

(Section 1(b) of Exhibit D to the Loan Agreement)

Limitation on Liens

The Institute shall not encumber any real or personal property, tangible or intangible, without the prior written consent of the Authority, other than:

(a) Liens on the Mortgaged Property and on the Gross Receipts created pursuant to the Mortgage and the Security Agreement, respectively, given to secure the Institute's obligations under the Loan Agreement;

(b) Liens on the Mortgaged Property;

(c) Liens on real property (other than the Mortgaged Property) or on the Gross Receipts to secure Permitted Long-Term Debt;

(d) Liens on tangible or intangible personal property (other than the Gross Receipts); and

(e) Permitted Liens.

In addition, the Institute shall not without the prior written consent of the Authority (i) encumber, pledge, grant, assign or undertake or not take any action that would result in the creation of a Lien on the investment securities of the Institute (collectively, the "Investment Securities") or (ii) grant a negative pledge in favor of any third party covering the Investment Securities.

(Section 1(c) of Exhibit D to the Loan Agreement)

Short-Term Debt

The Institute shall not at any time have outstanding Short-Term Debt in a principal amount greater than ten percent (10%) of the Institute's total operating revenues for the immediately preceding Fiscal Year for which audited financial statements of the Institute are available.

(Section 1(d) of Exhibit D to the Loan Agreement)

Long-Term Debt

The Institute may issue, incur, assume or guarantee Long-Term Debt without the consent of the Authority provided that (i) it maintains a debt rating that is at least in the "BBB/Baa" rating category, without regard for "+" or "-" from at least one Rating Service, (ii) after giving effect to such Debt, Maximum Annual Debt Service would not exceed 10% of the Institute's total operating revenues for the immediately preceding Fiscal Year for which audited financial statements are available and (iii) after giving effect to such Debt, the Debt Service Coverage Ratio for each of the two immediately preceding Fiscal Years for which audited financial statements are available would not be less than 140%, in each case as certified by the chief financial officer of the Institute.

(Section 1(e) of Exhibit D to the Loan Agreement)

Guarantees

The Institute shall not guarantee, endorse, become surety for, or otherwise in any way become or be responsible for the obligations of any person whether by agreement to purchase the Debt of any other person whether for working capital maintenance, or whether by agreement for the furnishing of funds, directly or indirectly, through the purchase of goods, supplies or services for the purpose of discharging the Debt of any other person or otherwise, or enter into or be a party to any contract for the purchase of merchandise, materials, supplies or other property if such contract provides that payment for such merchandise, materials, supplies or other property shall be made regardless of whether delivery of such merchandise, materials, supplies or other property is ever made or tendered, except endorsements of negotiable instruments for collection or deposit in the ordinary course of business, guaranties of the Debt of one another provided such Debt is incurred as permitted hereunder, and other guaranties in favor of the Authority.

(Section 1(f) of Exhibit D to the Loan Agreement)

Hedge Agreements

The Institute shall not, without the prior written consent of the Authority, enter into, amend or modify any Hedge Agreement unless:

(a) such Hedge Agreement is executed for the purpose of moderating or managing interest rate fluctuations, reducing interest cost or creating with respect to any assets then held by the Institute or any Long-Term Debt then outstanding or any debt reasonably expected to be issued or incurred within thirty-six (36) months of the proposed Hedge Agreement, in each case that bears interest at a variable rate the economic or financial equivalent of a fixed rate of interest thereon;

(b) the Hedge Agreement does not contain any leverage element or multiplier component or have a notional amount greater than any Long-Term Debt to which it relates, unless simultaneously the Institute enters into a matching hedge arrangement which effectively off-sets the risk or exposure resulting from such leverage element or multiplier component or notional amount;

(c) the Institute's obligations under the Hedge Agreement, including the obligation to pay an amount upon settlement, breakage or termination of the Hedge Agreement, is not secured by a Lien on any of the Gross Receipts that is prior or equal to the Lien securing the Institute's obligations hereunder;

(d) payments to be made by the Institute under the Hedge Agreement are subordinate in right of payment to the payment of interest and principal on any Long-Term Debt secured by a Lien on the Gross Receipts that is equal in priority to the Lien to secure the Institute's obligations hereunder;

(e) any insured termination amounts shall be on a parity with the Institute's obligations under the Hedge Agreements and any uninsured termination amounts shall be subordinate to the Institute's obligations under the Hedge Agreements and to any debt on a parity with the Institute's obligations under the Hedge Agreements;

(f) the Institute's counterparty to the Hedge Agreement (the "Counterparty") or its guarantor (the "Guarantor") is rated at "A" and "A2" by Standard & Poor's Rating Services ("S&P") and Moody's Investors Service ("Moody's"), respectively, and the Hedge Agreement provides that:

(i) if the Counterparty's or, if there's a guaranty then in effect, the Guarantor's rating is reduced to below "A-" or "A3" by either S&P or Moody's, respectively, the Counterparty or its Guarantor is obligated to enter into a "credit support annex" to the Hedge Agreement on terms and conditions acceptable to the Authority; and

(ii) if the Counterparty's or, if there's a guaranty then in effect, the Guarantor's rating is reduced to below "Baa3" or "BBB-" by either S&P or Moody's, respectively, or if such person's rating is suspended or withdrawn by either S&P or Moody's, the Counterparty or Guarantor is to be replaced by a successor acceptable to the Authority.

The Institute shall not terminate any Hedge Agreement unless, prior to such termination, it demonstrates to the satisfaction of the Authority that any payment required to be paid by the Institute upon or as a consequence of such termination will not cause the Institute to be in default on any Debt or other material financing agreements.

(Section 1(g) of Exhibit D to the Loan Agreement)

Limitation on Purchase Rights

The Institute shall not exercise any right to Series 2015A Bonds for any purpose other than for surrender to the Trustee for their cancellation.

(Section 1(h) of Exhibit D to the Loan Agreement)

Management Consultant Call-In

If the Authority elects to require the Institute to retain the services of a Management Consultant in accordance with Section 1(a)(ii) of Exhibit D to the Loan Agreement, then the Authority shall, at its election which shall be exercised in writing within sixty (60) days of notice of the applicable covenant failure, request the Institute to engage, at the Institute's expense, a Management Consultant to review the fees and tuition, operations and management of the Institute and any other matter deemed appropriate by the Authority and to make such recommendations with respect to such fees and tuition, operations, management and other matters as will enable the Institute to comply with such covenant within a reasonable period acceptable to the Authority. The Institute shall engage a Management Consultant within sixty (60) days of such request by the Authority.

(Section 2(a) of Exhibit D to the Loan Agreement)

Compliance with Recommendations

Whenever a Management Consultant is required to be engaged by the Institute pursuant to Exhibit D of the Loan Agreement, copies of the report and recommendations of such Management Consultant shall be filed with the Authority, the Trustee, the Board of Trustees of the Institute and an Authorized Officer of the Institute no later than one hundred twenty (120) days following the date of the engagement of such Management Consultant. The Institute shall, to the extent feasible, promptly upon its receipt of such recommendations, and subject to applicable requirements or restrictions imposed by law or regulation, revise its tuition, fees and charges, its methods of operation or collections or its debt and investment management and shall take such other action as shall be in conformity with such recommendations. The Institute shall deliver to the Authority and the Trustee within forty-five (45) days of receipt of such Management Consultant's report: (A) a report setting forth in reasonable detail the steps the Institute proposes to take to implement the recommendations of such Management Consultant; and (B) a certified copy of a resolution adopted by the Board of Trustees of the Institute accepting both the Management Consultant's report and the report prepared by the Institute as required in clause (A) hereof; and, subsequently, (C) quarterly reports demonstrating the progress made by the Institute in implementing the recommendations of the Management Consultant.

If the Institute complies in all material respects with the reasonable recommendations of the Management Consultant to the satisfaction of the Authority, the Institute shall be deemed to have complied with the covenants contained in Section 1 of Exhibit D to the Loan Agreement for the Institute's Fiscal Year in which the Management Consultant's report is delivered.

(Section 2(b) of Exhibit D to the Loan Agreement)

Exceptions

Notwithstanding the foregoing, the Institute shall not be considered to have failed to meet the Debt Service Coverage Ratio requirement in accordance with Section 1(a)(ii) of Exhibit D to the Loan Agreement if the Institute can demonstrate that such failure was solely due to a change in generally accepted accounting principles applicable to the Institute or to the application to the Institute of generally accepted accounting principles not previously applicable to the Institute.

(Section 3 of Exhibit D to the Loan Agreement)

Amendments

The Authority and the Institute may, without obtaining the consent of the Trustee or the Bondholders, amend the provisions of Exhibit D to the Loan Agreement and the related definitions upon which the calculations included in Exhibit D are based to provide for other alternative measures of the Institute's performance and ability to issue, incur, assume or guaranty additional Indebtedness.

(Section 4 of Exhibit D to the Loan Agreement)

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**SUMMARY OF CERTAIN PROVISIONS
OF THE RESOLUTION**

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SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The following is a brief summary of certain provisions of the Resolution pertaining to the Series 2015A Bonds. Such summary does not purport to be complete and reference is made to the Resolution for full and complete statements of such and all provisions. Defined terms used in the Resolution shall have the meanings ascribed to them in Appendix A or in the body of this Official Statement.

Resolution and Bonds Constitute a Contract

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

(Section 1.03)

Assignment of Certain Rights and Remedies

As security for the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of, and interest on, the Outstanding Bonds of a Series and for the performance of each other obligation of the Authority under the Resolution and the payment of all amounts owed to a Bank pursuant to the applicable Reimbursement Agreement and for the performance of each other obligation of the Institute thereunder, the Authority may, pursuant to a Series Resolution, grant, pledge and assign to the Trustee and, if the Bonds are Letter of Credit Secured Bonds, to the Bank, and to the issuer of any financial guaranty insurance policy insuring the Bonds, all of the Authority's estate, right, title, interest and claim in, to and under a Loan Agreement and each related Security Agreement and Mortgage, together with all rights, powers, security interests, privileges, options and other benefits of the Authority thereunder, including, without limitation, the immediate and continuing right to receive, enforce and collect (and to apply the same in accordance with the Resolution) all Revenues, insurance proceeds, sale proceeds and other payments and other security now or hereafter payable to or receivable by the Authority under such Loan Agreement, the Security Agreement and the Mortgage, including without limitation the right to declare the indebtedness under such Loan Agreements immediately due and payable and to foreclose, sell or otherwise realize upon the Gross Receipts and the Mortgaged Property, and the right to make all waivers and agreements in the name and on behalf of the Authority, and to perform all other necessary and appropriate acts under such Loan Agreement and each related Security Agreement and Mortgage, subject to the following conditions:

(i) the Bonds of each Series shall be secured *pari passu* by the security interest in the Gross Receipts, but shall be separately secured one from another by the Loan Agreement entered into in connection with a particular Series of Bonds and the Mortgage or Mortgages given to secure the Institute's obligations under such Loan Agreement, and only the Bond of the Series in connection with which such Loan Agreement was entered into and such Mortgages were given shall be secured by such Loan Agreement and Mortgages;

(ii) that the Holders of the Bonds, if any, shall not be responsible or liable in any manner or to any extent for the performance of any of the covenants or provisions thereof to be performed by the Authority; and

(iii) that, unless and until the Bank or the Trustee, in its discretion exercised following an "Event of Default" under a Loan Agreement that is continuing, so elects, by an instrument in writing delivered to the Authority and the Institute (and then only to the extent that the Trustee or the Bank so elects), neither the Trustee nor the Bank shall be responsible or liable in any manner or to any extent for the performance of any of the covenants or provisions contained in such Loan Agreement, Security Agreement or any Mortgage securing such Loan Agreement to be

performed by the Authority (except to the extent of actions undertaken by the Trustee in the course of its performance of any such covenant or provision), the Authority, however, to remain liable to observe and perform all the conditions and covenants, in each Loan Agreement, Security Agreement and each related Mortgage, provided to be observed and performed by it.

Notwithstanding the foregoing, the Authority retains the right to (i) the payment of any fees, costs, and expenses of the Authority payable pursuant to a Loan Agreement, (ii) the indemnities provided thereby and payments made pursuant to such indemnities and (iii) the exercise of any right or remedy available under each Loan Agreement, Security Agreement or Mortgage for the enforcement of the obligations of the Institute to which the Authority has retained such right.

Any grant, pledge or assignment made pursuant to this section shall be evidenced by instruments in form and substance reasonably satisfactory to the Trustee or the Bank executed and delivered by the Authority as soon as practicable after a Loan Agreement is entered into or a Mortgage or security interest is made or given. The Trustee and the Bank shall each accept such grant, pledge and assignment which acceptance shall be evidenced in writing and signed by an Authorized Officer of the Trustee and the Bank, respectively, in form and substance reasonably satisfactory to the Authority.

(Section 1.04)

Provisions for Issuance of Bonds and Additional Obligations

The issuance of Bonds of a Series shall be authorized by a Series Resolution or Series Resolutions. The Authority shall, in addition to other requirements, deliver to the Trustee an opinion of Bond Counsel concerning the validity of the Resolution and the Bonds, (except in the case of Refunding Bonds) and a certificate of an Authorized Officer of the Institution stating that the Institution is not in default under the Loan Agreement.

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, or prior or equal to the rights of the Authority and Holders of Bonds as provided by the Resolution.

(Sections 2.02 and 2.05)

Selection of Bonds to Be Redeemed

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

(Section 4.04)

Notice of Redemption

Whenever Bonds are to be redeemed, the Trustee shall give notice of the redemption of the Bonds in the name of the Authority which notice shall specify: (i) the Bonds to be redeemed which shall be identified by the designation of the Bonds given in accordance with the Resolution, the maturity dates and interest rates of the Bonds to be redeemed and the date such Bonds were issued; (ii) the numbers and other distinguishing marks of the Bonds to be redeemed, including CUSIP numbers; (iii) the redemption date; (iv) the Redemption Price; (v) the principal amount of each Bond to be redeemed; (vi) that, except in the case of Book-Entry Bonds, such Bonds will be redeemed at the principal corporate trust office of the Trustee giving the address thereof and the name and telephone number of a representative of the Trustee to whom inquiries may be directed; (vii) that no representation is made as to the correctness of the CUSIP number either as printed on the Bonds or as contained in such notice and that an error in a CUSIP number as printed on such Bond or as contained in such notice shall not affect the validity of the proceedings for redemption and (viii) if the Authority's obligation to redeem the Bonds is subject to conditions, a statement that describes the condition to such redemption. Such notice shall further state that on such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, together with interest accrued and unpaid thereon to the redemption date, and that, from and after such date, payment having been made or provided for, interest thereon shall cease to accrue.

Such notice shall be given by mailing a copy of such notice not less than thirty (30) days nor more than forty-five (45) days prior to the redemption date or, in the case of Variable Interest Rate Bonds or Option Bonds, such shorter period as shall be established by the Series Resolution authorizing such Bonds or the Bond Series Certificate relating to the Resolution, but in no event less than fifteen (15) days prior to the redemption date. Such notice shall be sent by first class mail, postage prepaid, to the registered owners of the Bonds which are to be redeemed, at their last known addresses, if any, appearing on the registration books not more than ten (10) Business Days prior to the date such notice is given. Upon giving such notice, the Trustee shall promptly certify to the Authority that it has mailed or caused to be mailed such notice to the Holders of the Bonds to be redeemed in the manner provided in the Resolution. Such certificate shall be conclusive evidence that such notice was given in the manner required by the Resolution. The failure of any Holder of a Bond to be redeemed to receive such notice shall not affect the validity of the proceedings for the redemption of the Bonds. If directed in writing by an Authorized Officer of the Authority, the Trustee shall also give such notice by publication thereof once in an Authorized Newspaper, such publication to be not less than thirty (30) days nor more than forty-five (45) days prior to the redemption date or, in the case of Variable Interest Rate Bonds or Option Bonds, such shorter period as shall be established by the Series Resolution authorizing such Bonds or the Bond Series Certificate relating to the Resolution, but in no event less than fifteen (15) days prior to the redemption date; *provided, however*, that such publication shall not be a condition precedent to such redemption, and failure to so publish any such notice or a defect in such notice or in the publication thereof shall not affect the validity of the proceedings for the redemption of the Bonds.

(Section 4.05)

Establishment of Funds and Accounts

The following funds are established by the Resolution and shall be held and maintained by the Trustee:

Construction Fund:
 Project Account;
 Capitalized Interest Account; and
 Cost of Issuance Account; and
Debt Service Fund.

(Section 5.02)

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 established in connection with such Series of Bonds the amount required to be deposited under the Resolution pursuant to the Series Resolution authorizing such Series or the Bond Series Certificate relating to such Series. In addition, the Authority shall pay over to the Trustee and the Trustee shall deposit in such Construction Fund any money paid to the Authority pursuant to the Resolution and all amounts paid by the Institute which by the terms of the Loan Agreement executed in connection with such Series of Bonds are required to be deposited under the Resolution.

Upon receipt by the Trustee of a certificate relating to the completion of the Project, the money, if any, then remaining in the Construction Fund, after making provision in accordance with the direction of an Authorized Officer of the Authority for the payment of any Costs of Issuance and Costs of the Project then unpaid, shall be paid or applied by the Trustee as follows and in the following order of priority:

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

Second: To the related Debt Service Fund, to be applied in accordance with 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 thereof be deposited or paid by the Trustee as follows and in the following order of priority:

First: To the applicable Debt Service Fund: (i) in the case of Revenues received during the first six months of each Bond Year, the amount, if any, necessary to make the amount in the Debt Service Fund equal to (a) the interest on the Outstanding Bonds of the Series for which such Debt Service Fund was established payable subsequent to the first day of such Bond Year and on and prior to the first day of the second half of the Bond Year, 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) one half of the Sinking Fund Installments of Outstanding Option Bonds and Variable Interest Rate Bonds of such Series payable during the next succeeding Bond Year; and (c) the purchase price or Redemption Price of the Outstanding Bonds of such Series to the Resolution before contracted to be purchased or called for redemption pursuant to the Resolution on or prior to the first day of the second half of the Bond Year, plus accrued interest thereon to the date of purchase or redemption; and (ii) in the case of Revenues received after the Resolution 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 the Outstanding Bonds of such Series payable subsequent to the first day of the second half of the Bond Year and on and prior to the first day of the next succeeding Bond Year, 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) one-half of the Sinking Fund Installments of Outstanding Option Bonds and Variable Interest Rate Bonds of such Series payable during the next succeeding Bond Year; and (c) the purchase price or Redemption Price of the Outstanding Bonds of such Series to the Resolution before contracted to be purchased or called for redemption pursuant to the Resolution on or prior to the first day of the next succeeding Bond Year, plus accrued interest thereon to the date of purchase or redemption;

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

Third: To the Authority, unless otherwise paid, such amounts as are payable to the Authority for: (i) any expenditures of the Authority for fees and expenses of auditing, and fees and expenses of the Trustee, 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 Loan Agreements 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 Third.

The Trustee shall, promptly after making the above required payments, notify the Authority and the Institute of any balance of Revenues remaining on the first day of the immediately succeeding Bond Year. 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 Institute, in the respective amounts set forth in such direction. Any amounts paid to the Institute shall be free and clear of any pledge, lien, encumbrance or security interest created by the Resolution or by the applicable Series Resolution or the applicable Loan Agreement.

(Section 5.05)

Debt Service Fund

The Trustee shall pay out of the Debt Service Fund established in connection with Bonds of a Series other than Letter of Credit Secured Bonds, when due:

- (i) the interest due and payable on the Outstanding Bonds of such Series;
- (ii) the principal due and payable on the Outstanding Bonds of such Series; and
- (iii) the Sinking Fund Installments or other amounts related to a mandatory redemption, if any, due and payable on the Outstanding Bonds of such Series.

Notwithstanding the provisions of this paragraph (a), the Authority may, at any time subsequent to the first day 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 established in connection with the Bonds of a Series, other than Letter of Credit Secured Bonds, at a price not in excess of par plus interest accrued and unpaid to the date of such purchase, Term Bonds of such Series to be redeemed from such Sinking Fund Installment. In addition, the Institute pursuant to a Loan Agreement may deliver, at any time subsequent to the first day 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 such Series 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 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.

- (a) The Trustee shall pay out of the Debt Service Fund established in connection with Letter of Credit Secured Bonds of a Series, when due, all amounts required to be paid to the Bank providing the Letter of Credit for the Bonds of such Series of Bonds to reimburse it for money advanced under the Letter of Credit for payment of:

- (i) the interest due and payable on the Outstanding Bonds of such Series;
- (ii) the principal due and payable on the Outstanding Bonds of such Series; and
- (iii) the Sinking Fund Installments or other amounts related to a mandatory redemption, if any, due and payable on the Outstanding Bonds of such Series;

provided, however, that if the Bank fails to honor a properly submitted draw under the Letter of Credit for the Bonds of such Series, such money will be used to make payments due to the Holders of such Series of Bonds.

(Section 5.06)

Arbitrage Rebate Fund

The Trustee shall deposit to the Arbitrage Rebate Fund any money delivered to it by the Institute for deposit under the Resolution 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 shall be set forth in such directions.

Money on deposit in the Arbitrage Rebate Fund shall be applied by the Trustee in accordance with the direction of an Authorized Officer of the Authority to make payments to the Department of the Treasury of the United States of America at such times and in such amounts as the Authority shall determine to be required by the Code to be rebated to the Department of the Treasury of the United States of America. Money which an Authorized Officer of the Authority determines to be in excess of the amount required to be so rebated shall be applied first to reimburse the affected Bank for any money advanced under the related Letter of Credit for which it has not been reimbursed, and second, deposited to any fund or account established under the Resolution in accordance with the written direction of such Authorized Officer.

The Authority shall periodically determine the amount which may be required by the Code to be rebated to the Department of the Treasury of the United States of America with respect to each Series of Bonds and direct the Trustee to (i) transfer from any other of the funds and accounts held by the Trustee under the Resolution and deposit to the applicable Arbitrage Rebate Fund such amount as the Authority shall have determined to be necessary in order to enable it to comply with its obligation to rebate money to the Department of the Treasury of the United States of America with respect to each Series of Bonds and (ii) if and to the extent required by the Code, pay out of such Arbitrage Rebate Fund to the Department of the Treasury of the United States of America the amount, if any, required by the Code to be rebated to the Resolution.

(Section 5.07)

Application of Money in Certain Funds for Retirement of Bonds

Notwithstanding any other provisions of the Resolution, if at any time the Available Money held in the Debt Service Fund established in connection with a Series of Bonds for the payment of the principal and Sinking Fund Installments of the Bonds of such Series, together with the Available Money held in the Debt Service Reserve Fund established for such Bonds, are sufficient to pay the principal or Redemption Price of all Outstanding Bonds of such Series and the interest accrued and unpaid and to accrue on such Bonds to the next date of redemption when all such Bonds are redeemable, or to make provision pursuant to the Resolution for the payment of such Bonds at the maturity or redemption dates thereof, the Trustee shall so notify the Authority and the Institute. Upon receipt of such notice, the Authority may (i) direct the Trustee to redeem all such Bonds, whereupon the Trustee shall proceed to redeem or provide for the redemption of such Bonds in the manner provided for redemption of such Bonds by the Resolution and by each Series Resolution as provided in the Resolution, or (ii) give the Trustee irrevocable instructions in accordance

with the Resolution and make provision for the payment of such Bonds at the maturity or redemption dates thereof in accordance therewith.

(Section 5.08)

Transfer of Investments

Whenever money in any fund or account established under the Resolution is to be paid in accordance with the Resolution to another such fund or account, such payment may be made, in whole or in part, by transferring to such other fund or account investments held as part of the fund or account from which such payment is to be made, whose value, together with the money, if any, to be transferred, is at least equal to the amount of the payment then to be made; ***provided, however,*** that no such transfer of investments would result in a violation of any investment standard or guideline applicable to such fund.

(Section 5.09)

Security for Deposits

All money held under the Resolution by the Trustee shall be continuously and fully secured, for the benefit of the Authority and the Holders of the Bonds, by direct obligations of the United States of America or obligations the principal of and interest on which are guaranteed by the United States of America of a market value equal at all times to the amount of the deposit so held by the Trustee; ***provided, however,*** (a) that if the securing of such money is not permitted by applicable law, then in such other manner as may then be required or permitted by applicable State or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds, and (b) that it shall not be necessary for the Trustee to give security for the deposit of any money with them pursuant to the Resolution and held in trust for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of or interest on any Bonds, or for the Trustee to give security for any money which shall be represented by obligations purchased or other investments made under the provisions of the Resolution as an investment of such money.

(Section 6.01)

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 or Exempt Obligations; ***provided, however,*** that each such investment shall permit the money so deposited or invested to be available for use at the times at which the Authority reasonably believes such money will be required for the purposes of the Resolution.

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

Permitted Investments purchased 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 under the provisions of the Resolution, each Permitted Investment shall be valued at par or the market value thereof, plus accrued interest, whichever is lower.

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 this section. 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 Institute in writing, on or before the fifteenth (15th) day of each calendar month, of the amounts required to be on deposit in each fund and account under the Resolution and of the details of all investments held for the credit of each fund and account in its custody under the provisions of the Resolution as of the end of the preceding month and as to whether such investments comply with the provisions of paragraphs (a), (b) and (c) of this section. 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 any Series of Bonds or any other funds of the Authority shall be used directly or indirectly to acquire any securities or investments the acquisition of which would cause any Bond to be an “arbitrage bond” within the meaning of Section 148(a) of the Code.

(Section 6.02)

Payment of Principal and Interest

The Authority shall pay or cause to be paid the principal, Sinking Fund Installments, if any, or Redemption Price of and interest on every Bond of each Series on the date and at the places and in the manner provided in the Bonds according to the true intent and meaning thereof.

(Section 7.01)

Accounts and Audits

The Authority shall keep proper books of records and accounts (separate from all other records and accounts), which may be kept on behalf of the Authority by the Trustee, in which complete and correct entries shall be made of its transactions relating to each Series of Bonds, including but not limited to the objects and purposes for which proceeds of the Bonds were expended and the respective amounts expended for such objects and purposes. Such books and accounts, at reasonable hours and subject to the reasonable rules and regulations of the Authority, shall be subject to the inspection of the Institute, the Trustee or of any Holder of a Bond or his representative duly authorized in writing. The Trustee shall annually prepare a report which shall be furnished to the Authority, each Bank and the Institute. Such report shall include at least: a statement of all funds (including investments thereof) held by such Trustee and the Authority pursuant to the provisions of the Resolution and of each Series Resolution; a statement of the Revenues collected in connection with the Resolution and with each Series Resolution; and complete and correct entries of the Authority’s transactions relating to each Series of Bonds. A copy of such report shall, upon receipt of a written request therefor, and payment of any reasonable fee or charge made in connection therewith, be furnished to the registered owner of a Bond or any beneficial owner of a Book Entry Bond requesting the same.

(Section 7.05)

Creation of Liens

Except as permitted by the Resolution, the Authority shall not create, cause to be created or suffer or permit the creation of any lien or charge prior or equal to that of the Bonds on the proceeds from the sale of the Bonds, the Revenues, the Authority's security interest in the Gross Receipts, the Mortgages and the funds and accounts established by or pursuant to any Series Resolution; *provided, however*, that nothing contained in the Resolution shall prevent the Authority from issuing bonds, notes or other obligations or otherwise incurring indebtedness under another and separate resolution or otherwise so long as the charge or lien created by such resolution is not prior or equal to the charge or lien created pursuant to the Resolution; and, provided, further, with respect to the Gross Receipts or any security interest in the Gross Receipts, nothing in this paragraph is intended to prevent the creation of a parity lien on the Gross Receipts as otherwise provided in the Resolution.

(Section 7.06)

Enforcement of Duties and Obligations of the Institute

The Authority shall take all legally available action to cause the Institute to perform fully all duties and acts and comply fully with the covenants of the Institute required by a Loan Agreement in the manner and at the times provided in such Loan Agreement; *provided, however*, that the Authority may (i) delay or defer enforcement of one or more provisions of the Loan Agreement (other than provisions requiring the payment of money or the delivery of securities to the Trustee for deposit to any fund or account established under the Resolution) if the Authority determines such delay or deferment will not materially adversely affect the interests of the Holders of the Bonds and (ii) at any time prior to the occurrence of an event of default under the Resolution, annul any declaration that the indebtedness under a Loan Agreement is immediately due and payable and, if prior to the entry of a final judgment or decree in any action or proceeding instituted on account of an event of default under such Loan Agreement, discontinue such action or proceeding if the Institute shall have cured each event of default under such Loan Agreement.

(Section 7.07)

Deposit of Certain Money in the Construction Fund

Except as otherwise provided in the Loan Agreement relating to a Series of Bonds and in the related Mortgage, in addition to the proceeds of Bonds to be deposited in the Construction Fund, any money paid to the Authority for the acquisition, construction, reconstruction, renovation or equipment of any Project, including the proceeds of any insurance of condemnation award to be so applied, shall be deposited in the Construction Fund.

(Section 7.08)

Offices for Payment and Registration of Bonds

The Authority shall at all times maintain an office or agency in the State where Bonds may be presented for payment, registration, transfer or exchange and the Trustee is by the Resolution appointed the Trustee as its agent to maintain such office or agency for the registration, transfer or exchange of Bonds. The provisions of this section shall be subject to the provisions of the Resolution.

(Section 7.09)

Amendment of Loan Agreement

(a) Each Loan Agreement may, without the consent of the Holders of Bonds, be amended, changed, modified, altered or supplemented for any one or more purposes:

(i) to add an additional covenant or agreement for the purpose of further securing the payment of the Institute's obligations under the Loan Agreement that is not contrary to or inconsistent with the covenants and agreements of the Institute contained in the Loan Agreement;

(ii) to prescribe further limitations and restrictions upon the Institute's right to incur, issue, assume or guaranty indebtedness that are not contrary to or inconsistent with the limitations and restrictions thereon to the Resolution before in effect;

(iii) to surrender any right, power or privilege reserved to or conferred upon the Institute, if surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Institute contained in the Loan Agreement;

(iv) to make changes necessary or appropriate in connection with the acquisition, construction, reconstruction, rehabilitation and improvement, or otherwise providing, furnishing and equipping of any Project, to amend the description of any Project or to add an additional Project;

(v) to establish, amend or modify the Authority Fee or the Annual Administrative Fee payable by the Institute in connection with the Bonds of a Series; or

(vi) with the prior written consent of the Trustee, to cure any ambiguity, or to correct or supplement any provisions contained in the Loan Agreement which may be defective or inconsistent with any other provisions contained in the Resolution or in the Loan Agreement or to amend, modify or waive any other provision of the Loan Agreement, provided that the same does not adversely affect the interests of the Bondholders in any material respect.

(b) Notwithstanding the provisions of paragraph (a) of this section, the Loan Agreement relating to a Series of Bonds may not be amended, changed, modified, altered or terminated, nor may any provision thereof be waived, without the consent of the Holders of Outstanding Bonds of such Series as in the Resolution after provided if such amendment, change, modification, alteration, termination or waiver (i) reduces the amount of Revenues payable by the Institute under the Loan Agreement on any date or delays the date on which payment is to be made, (ii) modifies the events which constitute Events of Default under the Loan Agreement, (iii) diminishes, limits or conditions the rights or remedies of the Authority under the Loan Agreement upon the occurrence of an Event of Default under the Resolution, or (iv) adversely affects the rights of the Bondholders in any material respect.

No such amendment, change, modification, alteration, termination or waiver shall take effect unless the prior written consent of the Holders of at least a majority in principal amount of the Bonds then Outstanding of the affected Series; **provided, however**, that if such amendment, change, modification, alteration, termination or waiver will, by its terms, not take effect so long as any Bonds of any specified maturity of such Series remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this section.

No amendment, change, modification or termination of a Loan Agreement, or waiver of a provision thereof shall be made other than pursuant to a written instrument signed by the parties to the Resolution. No such amendment, change, modification, alteration or waiver shall become effective unless there has been delivered to the Trustee an opinion of Bond Counsel. A copy of each such amendment, change, modification, termination or waiver shall be filed with the Trustee and a copy thereof shall be sent to the affected Bank.

Bonds owned or held by or for the account of the Authority or the Institute shall not be deemed Outstanding for the purpose of consent provided for in this section, and neither the Authority nor the Institute shall be entitled with respect to such Bonds to give any such consent. At the time of any consent, the Authority shall furnish the Trustee a certificate of an Authorized Officer, upon which the Trustee may rely, describing all Bonds so to be excluded.

(c) For the purposes of this section, the purchasers of Bonds, 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 this section 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, Remarketing Agent or otherwise for resale, the nature of the amendment, change, modification, alteration, termination or waiver and the provisions for the purchaser consenting to the Resolution shall be described in the official statement, prospectus, offering memorandum or other offering document prepared in connection with the initial offering, reoffering or resale of the Bonds of such Series. In addition, the Holder of an Outstanding Auction Rate Bond shall be deemed to have consented to an amendment, change, modification, alteration or termination permitted by this section if (i) the Trustee has mailed notice of such proposed amendment to the Holder of such Bonds in the same manner required by the Resolution for an amendment to the Resolution, (ii) on the first Auction Date for such Bond occurring at least twenty (20) days after the date on which the aforementioned notice is given by the Trustee the interest rate determined on such date is the Winning Bid Rate and (iii) there is delivered to the Authority and the Trustee an opinion of Bond Counsel to the effect that such amendment shall not adversely affect the validity of such Auction Rate Bond or any exemption from federal income tax to which the interest on such Auction Rate Bond would otherwise be entitled. As used in this paragraph the following terms shall have the respective meanings: **“Auction Rate Bond”** means a Variable Interest Rate Bond that is not an Option Bond, and that bears interest at rates determined by periodic auctions in accordance with procedures therefore established by the Series Resolution authorizing such Bond or the Bond Series Certificate related to the Resolution; **“Auction Date”** means, with respect to any particular Auction Rate Bond, the date on which an auction is held or required to be held for such Bond in accordance with the procedures established therefore; and **“Winning Bid Rate”** when used with respect to an auction held for any particular Auction Rate Bond, shall have the meaning given to such term in the Series Resolution authorizing such Auction Rate Bond or the Bond Series Certificate related to the Resolution, or, if not otherwise defined, means the lowest rate specified in any purchase bid submitted in such auction, which, if selected, would cause the aggregate principal amount of Auction Bonds offered to be sold in such auction to be subject to purchase bids at rates no greater than the rate specified in such purchase bid.

For the purposes of this section, 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, which determination shall be made without regard to the existence of any financial guaranty insurance policy issued in connection with such Bonds or a Letter of Credit for such Bonds. 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 Institute, the Authority and all Holders of Bonds.

For all purposes of this section, the Trustee shall be entitled to rely upon an opinion of counsel, which counsel shall be satisfactory to the Trustee, with respect to whether any amendment, change, modification, alteration, termination or waiver adversely affects the interests of any Holders of Bonds then Outstanding in any material respect.

(Section 7.11)

Notice as to Event of Default under Loan Agreement

The Authority shall notify the Trustee in writing of any “Event of Default” under a Loan Agreement, as such term is defined in such Loan Agreement, that has occurred and is continuing, which notice shall be given as soon as practicable after the Authority has obtained actual knowledge thereof.

(Section 7.12)

Modification and Amendment Without Consent

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

- (a) To provide for the issuance of a Series of Bonds pursuant to the provisions of the Resolution and to prescribe the terms and conditions pursuant to which such Bonds may be issued, paid or redeemed;
- (b) To add additional covenants and agreements of the Authority for the purpose of further securing the payment of the Bonds, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Resolution;
- (c) To prescribe further limitations and restrictions upon the issuance of Bonds and the incurring of indebtedness by the Authority which are not contrary to or inconsistent with the limitations and restrictions thereon to the Resolution before 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 the subjection to any lien, claim or pledge created or to be created by the provisions of the Resolution, of the Revenues, or any pledge of any other 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;
- (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 Bondholders in any material respect.

(Section 9.01)

Supplemental Resolutions Effective With Consent of Bondholders

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

(Section 9.02)

General Provisions Relating to Series Resolutions and Supplemental Resolutions

The Resolution shall not be modified or amended in any respect except in accordance with and subject to the provisions of the Resolution. Nothing contained in the Resolution shall affect or limit the rights or obligations of the Authority to adopt, make, do, execute or deliver any resolution, act or other instrument pursuant to the provisions of the Resolution or the right or obligation of the Authority to execute and deliver to the Trustee any instrument elsewhere in the Resolution provided or permitted to be delivered to the Trustee.

A copy of every Series Resolution and Supplemental Resolution adopted by the Authority, when filed with the Trustee, shall be accompanied by an opinion of Bond Counsel stating that such Series Resolution or Supplemental Resolution has been duly and lawfully adopted in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution and is valid and binding upon the Authority and enforceable in accordance with its terms. The Trustee shall transmit a copy of such Supplemental Resolution to the Institute and to each Bank upon its becoming effective.

The Trustee is by the Resolution authorized to accept delivery of a certified copy of any Series Resolution or Supplemental Resolution permitted or authorized pursuant to the provisions of the Resolution and to make all further agreements and stipulations which may be contained in the Resolution, and, in taking such action, the Trustee shall be fully protected in relying on the opinion of Bond Counsel that such Series Resolution or Supplemental Resolution is authorized or permitted by the provisions of the Resolution.

No Series Resolution or Supplemental Resolution changing, amending or modifying any of the rights or obligations of the Trustee shall become effective without the written consent of the Trustee.

(Section 9.03)

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, in any particular, may be made by a Supplemental Resolution, with the written consent given as in the Resolution after provided in the Resolution, (i) of the Holders of at least a majority in principal amount of the Bonds Outstanding at the time such consent is given, or (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Holders of at least a majority in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given, or (iii) in case the modification or amendment changes the amount or date of any Sinking Fund Installment, of the Holders of at least a majority in principal amount of the Bonds of the particular Series, maturity and interest rate entitled to such Sinking Fund Installment, Outstanding at the time such consent is given; *provided, however*, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series, maturity and tenor remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this section. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment. For the purposes of this section, a Series shall be deemed to be affected by a modification or amendment of the Resolution if the same adversely affects or diminishes the rights of the Holders of Bonds of such Series in any material respect.

(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 the Resolution to take effect when and as provided in this section. A copy of such Supplemental Resolution (or brief summary thereof or reference to the Resolution in form approved by the Trustee) together with a request to the Bondholders for their consent to the Resolution in form satisfactory to the Trustee, shall promptly after adoption be mailed by the Authority to the Bondholders (but failure to mail such copy and request to any particular Bondholder shall not affect the validity of the Supplemental Resolution when consented to as in this section provided).

Such Supplemental Resolution shall not be effective unless and until (i) there shall have been filed with the Trustee (a) the written consent of the Holders of the percentages of Outstanding Bonds specified in the Resolution and (b) an opinion of Bond Counsel stating that such Supplemental Resolution has been duly and lawfully adopted and filed by the Authority in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon the Authority and enforceable in accordance with its terms, and (ii) a notice shall have been mailed as in 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 with respect to which such consent is given, which proof shall be such as is permitted by the Resolution. A certificate or certificates by the Trustee filed with the Trustee that it has examined such proof and that such proof is sufficient in accordance with the Resolution shall be conclusive proof that the consents have been given by the Holders of the Bonds described in the certificate or certificates of the Trustee. Any consent given by a Bondholder shall be binding upon the Bondholder giving such consent and, anything in the Resolution to the contrary notwithstanding, upon any subsequent Bondholder and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by 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 in 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 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 after the Resolution notice, stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by the Authority on a stated date, a copy of which is on file with the Trustee) has been consented to by the Holders of the required percentages of Bonds and will be effective as provided in this section, shall be given to the Bondholders by the Authority by mailing such notice to the Bondholders and, at the discretion of the Authority, by publishing the same at least once not more than ninety (90) days after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution and the written statement of the Trustee in the Resolution above provided for is filed (but failure to publish such notice shall not prevent such Supplemental Resolution from becoming effective and binding as in this section provided). The Authority shall file with the Trustee proof of the mailing of such notice, and, if the same shall have been published, of the publication thereof.

(Section 10.02)

Consent of Bank

Whenever by the terms 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 Bank has been obtained. No modification or amendment of the Resolution which adversely affects a Bank shall be made without the written consent thereto of the Bank 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 Bank 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 10.03)

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

(Section 10.04)

Events of Default

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

(a) Payment of the principal, Sinking Fund Installments or Redemption Price of any Bond shall not be made by the Authority when the same shall otherwise become due and payable; or

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

(c) With respect to the Tax Exempt Bonds of any Series, a Determination of Taxability shall have occurred and be continuing; or

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

(e) An “Event of Default” as defined in a Loan Agreement shall have occurred and be continuing and as a consequence all sums payable by the Institute under the Loan Agreement shall have been declared to be immediately due and payable, which declaration shall not have been annulled.

(Section 11.02)

Acceleration of Maturity

Upon the happening and continuance of any event of default specified in the Resolution, other than an event of default specified in paragraph (c) of the Resolution, then and in every such case the Trustee, upon the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of each Series, shall, by a notice in writing to the Authority and each Rating Service, declare the principal of and interest on all of the Outstanding Bonds to be immediately due and payable. At the expiration of thirty (30) days after notice of such declaration has been given, such principal and interest shall become and be immediately due and payable, anything in the Resolution or in any Series Resolution or in the Bonds to the contrary notwithstanding. Upon the Trustee’s receipt

of notice from the Bank that the Letter of Credit is in effect, the Trustee may draw on the Letter of Credit. At any time after the principal of the Bonds shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Resolution, the Trustee shall, with the written consent of the Holders of not less than twenty-five per centum (25%) in principal amount of the Bonds not then due by their terms and then Outstanding, by written notice to the Authority, annul such declaration and its consequences if: (i) money shall have accumulated in the Debt Service Funds sufficient to pay all arrears of interest, if any, upon all of the Outstanding Bonds (except the interest accrued on such Bonds since the last interest payment date); (ii) money shall have accumulated and be available sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee; (iii) all other amounts then payable by the Authority under the Resolution and under each Series Resolution (other than principal amounts payable only because of a declaration and acceleration under this section) shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee; (iv) the Trustee receives notice from the Bank that the Bank has rescinded its notice of an Event of Default under the Letter of Credit; and (v) every other default known to the Trustee in the observance or performance of any covenant, condition or agreement contained in the Resolution or in any Series Resolution or in the Bonds (other than a default in the payment of the principal of such Bonds then due only because of a declaration under this section) shall have been remedied to the reasonable satisfaction of the Trustee. No such annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

(Section 11.03)

Enforcement of Remedies

Upon the happening and continuance of any event of default specified in the Resolution, then and in every such case, the Trustee may proceed, and, upon the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of each Series or, in the case of a happening and continuance of an event of default specified in paragraph (c) of the above section titled "Events of Default", of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of the Series affected by the Resolution, shall proceed (subject to the provisions of the Resolution) to protect and enforce its rights and the rights of the Bondholders under the Resolution or under any Series Resolution or under the laws of the State by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant contained under the Resolution or under any Series Resolution or in aid or execution of any power in the Resolution or in the Resolution 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 each Series Resolution the Trustee shall be entitled to sue for, enforce payment of, and receive any and all amounts then, or during any default becoming, and at any time remaining, due from the Authority for principal or interest or otherwise under any of the provisions of the Resolution or of any Series Resolution or of the Bonds, with interest on overdue payments of the principal of or interest on the Bonds at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings under the Resolution and under any Series Resolution and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Holders of such Bonds, and to recover and enforce judgment or decree against the Authority but solely as provided in the Resolution, in any Series Resolution and in such Bonds, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect in any manner provided by law, the 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 each Series Resolution shall not be sufficient to pay the principal of and interest on the Bonds as the same become due and payable (either by their terms or by acceleration of

maturity under the provisions of the Resolution), such money together with any money then available or after the Resolution 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 under the Resolution and then paying all amounts owing to the Trustee under the Resolution) as follows:

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

First: To the payment to the persons entitled to the Resolution 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 to the Resolution, without any discrimination or preference; and

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

(B) If the principal of all of the Bonds 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 the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled to the Resolution, without any discrimination or preference except as to the difference in the respective rates of interest specified in the Bonds.

The provisions of this section are in all respects subject to the provisions of the Resolution.

Whenever money is to be applied by the Trustee pursuant to the provisions of this section, 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 the provisions of this section shall constitute proper application by the Trustee, and the Trustee shall incur no liability whatsoever to the Authority, to any Holder of Bonds or to any other person for any delay in applying any such 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.

Amounts held by the Trustee after payments to be made pursuant to this section have been made and no Bonds are Outstanding shall be paid and applied in accordance with the Resolution.

(Section 11.05)

Limitation of Rights of Individual Bondholders

No Holder of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Resolution, or for any other remedy under the Resolution unless such Holder previously shall have given to the Trustee written notice of the event of default on account of which such suit, action or proceeding is to be instituted, and unless also the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of each Series or, in the case of an event of default specified in paragraph (c) of the Resolution, the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of the Series affected by the Resolution, 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 under the Resolution or by the Resolution, 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 by the Resolution declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the Resolution or for any other remedy under the Resolution and in equity or at law. It is understood and intended that no one or more Holders of the Bonds secured by the Resolution shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Resolution or to enforce any right under the Resolution except in the manner in the Resolution provided, and that all proceedings at law or in equity shall be instituted and maintained for the benefit of all Holders of the Outstanding Bonds. Notwithstanding any other provision of the Resolution, the Holder of any Bond shall have the right which is absolute and unconditional to receive payment of the principal of (and premium, if any) and interest on such Bond on the stated maturity expressed in such Bond (or, in the case of redemption, on the redemption date) and to institute suit for the enforcement of any such payment, and such right shall not be impaired without the consent of such Holder.

(Section 11.08)

Defeasance

If the Authority shall pay or cause to be paid to the Holders of Bonds of a Series the principal, Sinking Fund Installments, if any, or Redemption Price 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 affected Bank pro rata to reimburse such Bank for any moneys advanced under the related Letter of Credit for which such Banks have not been reimbursed, third, to the Authority the amount certified by an Authorized Officer of the Authority to be then due or past due pursuant to a Loan Agreement for fees and expenses of the Authority or pursuant to any indemnity; and, then, the balance thereof to the Institute. Such securities so paid or delivered shall be released from any trust, pledge, lien, encumbrance or security interest created by the Resolution or by any Series Resolution or Loan Agreement.

Bonds for the payment or redemption of which Available Money shall have been set aside and shall be held in trust by the Trustee (through deposit of Available 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 subdivision 1 of this section. All Outstanding Bonds of any Series or any maturity within a Series or a portion of a maturity within a Series shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in paragraph (a) of this section if:

(i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee, in form satisfactory to it, irrevocable instructions to give as provided in the Resolution notice of redemption on said date of such Bonds;

(ii) there shall have been deposited with the Trustee either Available Money in an amount which shall be sufficient, or Defeasance Securities purchased with Available Money the principal of and interest on which when due will provide money which, together with the Available 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 said Bonds on and prior to the redemption date or maturity date thereof, as the case may be;

(iii) in the event said 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 the 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 clause (ii) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this section 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 said Bonds;

(iv) the Trustee shall have received an opinion of Bond Counsel to the effect that making provision pursuant to this subsection (b) for payment of any Bond that is a Tax Exempt Bond will not cause said Bond to be considered to have been “reissued” for purposes of Section 1001 of the Code;

(v) the Trustee shall have received the consent of the Bank in the case of Letter of Credit Secured Bonds for which amounts paid under the related Letter of Credit and to be reimbursed to the Bank are due and owing to the Bank;

(vi) the Bank shall receive an opinion of counsel that the defeasance of the Bonds will not adversely impact the exclusion from gross income for federal income tax purposes of interest on the Bonds; and

(vii) the Trustee shall have received a Verification Report.

The Authority shall give written notice to the Trustee and each Rating Service of its selection of the Series and maturity payment of which is to be made in accordance with this section. The Trustee shall select the Bonds of like Series and maturity payment of which shall be made in accordance with this section in the manner provided in the Resolution. Neither Defeasance Securities nor money deposited with the Trustee pursuant to this section nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on said 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 said Bonds on and prior to such redemption date or maturity date of the Resolution, 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 in the Resolution above 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 under the Resolution in accordance with the direction of an Authorized Officer of the Authority; second to each affected Bank pro rata to reimburse such Bank for any moneys advanced under the related Letter of Credit for which such Banks have not been reimbursed, third, to the Authority the amount certified by an Authorized Officer of the Authority to be then due or past due pursuant to a Loan Agreement for fees and expenses of the Authority or pursuant to any indemnity; and, then, the balance thereof to the Institute. Such securities so paid or delivered shall be released from any trust, pledge, lien, encumbrance or security interest created by the Resolution or by any Series Resolution or Loan Agreement.

For the purpose of determining whether Variable Interest Rate Bonds shall be deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, in accordance with paragraph (b) of this section, 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 (ii) of the second sentence of paragraph (b) of this section, the Trustee shall pay the amount of such excess as follows: first, to the Arbitrage Rebate Fund, the amount required to be deposited in the Resolution in accordance with the direction of an Authorized Officer of the Authority; second, to each affected Bank pro rata to reimburse such Bank for any moneys advanced under the Letter of Credit for which such Banks have not been reimbursed; third, to the Authority the amount certified by an Authorized Officer of the Authority to be then due or past due pursuant to a Loan Agreement for fees and expenses of the Authority or pursuant to any indemnity; and, then, the balance thereof to the Institute. Such securities so paid or delivered shall be released from any trust, pledge, lien, encumbrance or security interest created by the Resolution or by any Series Resolution or Loan Agreement.

For the purpose of determining whether an Option Bonds shall be deemed to have been paid in accordance with paragraph (b) of this section, there shall be deposited with the Trustee Available 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 paragraph (b) of this section, 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 this paragraph (d). 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 under the Resolution in accordance with the direction of an Authorized Officer of the Authority; second to each affected Bank pro rata to reimburse such Bank for any moneys advanced under the related Letter of Credit for which such Banks have not been reimbursed; third, to the Authority the amount certified by an Authorized Officer of the Authority to be then due or past due pursuant to a Loan Agreement for fees and expenses of the Authority or pursuant to any indemnity; and, then, the balance thereof to the Institute. Such securities so paid or delivered shall be released from any trust, pledge, lien, encumbrance or security interest created by the Resolution or by any Series Resolution or Loan Agreement.

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 said 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 with respect to the Resolution and the Holders of Bonds shall look only to the Authority for the payment of such Bonds; ***provided, however,*** that, before being required to make any such payment to the Authority, the Trustee 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)

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**FORM OF APPROVING OPINION
OF CO-BOND COUNSEL**

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[Date of Issuance]

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

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of \$73,670,000 aggregate principal amount of Pratt Institute Revenue Bonds, Series 2015A (the "Series 2015A Bonds"), by the Dormitory Authority of the State of New York (the "Authority"), a body corporate and politic constituting a public benefit corporation of the State of New York, created and existing under and pursuant to the Constitution and statutes of the State of New York, including the Dormitory Authority Act, being Title 4 of Article 8 of the Public Authorities Law of the State of New York, as amended to the date hereof, including, without limitation, by the Healthcare Financing Consolidation Act, being Title 4-B of the Public Authorities Law of the State of New York, as amended to the date hereof (the "Act"). We have also examined such certificates, documents, records and matters of law as we have deemed necessary for the purpose of rendering the opinions hereinafter set forth.

The Series 2015A Bonds are issued under and pursuant to the Act, the Pratt Institute Revenue Bond Resolution of the Authority (the "Resolution"), the Series Resolution Authorizing Up To \$85,000,000 Pratt Institute Revenue Bonds, adopted December 10, 2014 (the "Series 2015A Resolution") and the Bond Series Certificate related to the Series 2015A Bonds (the "Bond Series Certificate"). The Resolution, the Series 2015A Resolution and the Bond Series Certificate are herein collectively called the "Resolutions." Unless otherwise defined herein, capitalized terms used herein have the respective meanings given to them in the Resolutions.

The Series 2015A Bonds are part of an issue of bonds of the Authority (the "Bonds") which the Authority has established and created under the terms of the Resolution and is authorized to issue from time to time for the purposes authorized by the Act and the Resolution, as then in effect, and without limitation as to amount, except as provided in the Resolutions or as may be limited by law. The Series 2015A Bonds are being issued for the purposes set forth in the Resolutions.

The Authority is authorized to issue Bonds, in addition to the Series 2015A Bonds, only upon the terms and conditions set forth in the Resolution and such Bonds, when issued, will with the Series 2009 Bonds be entitled to the benefit, protection and security of the provisions, covenants and agreements of the Resolution.

The Series 2015A Bonds are dated and bear interest from their date of delivery and mature on July 1, in each of the years in the respective principal amounts, and bear interest, payable July 1, 2015 and semiannually thereafter on each January 1 and July 1, at the respective rates per annum set forth below:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2015	\$ 1,220,000	4.000%	2025	\$ 1,835,000	5.000%
2016	1,210,000	4.000	2026	1,925,000	5.000
2017	1,260,000	4.000	2027	2,005,000	3.000
2018	1,310,000	4.000	2028	2,085,000	5.000
2019	1,365,000	4.000	2029	2,195,000	5.000
2020	1,430,000	5.000	2034	12,785,000	5.000
2021	1,500,000	5.000	2036	5,995,000	3.625
2022	1,580,000	5.000	2039	10,055,000	5.000
2023	1,660,000	5.000	2044	20,510,000	5.000
2024	1,745,000	5.000			

The Series 2015A Bonds are issuable in the form of fully registered Bonds in denominations of \$5,000 or integral multiples thereof. The Series 2015A Bonds are numbered consecutively from one upward in order of issuance.

The Series 2015A Bonds are subject to redemption and optional purchase prior to maturity as provided in the Resolutions.

The Series 2015A Bonds are being issued to finance a loan by the Authority to Pratt Institute (the "Institute"). The Authority and the Institute have entered into a Loan Agreement, dated as of January 7, 2015 (the "Loan Agreement"), by which the Institute is required to make payments sufficient to pay, when due, the principal and Redemption Price of and interest on the Outstanding Series 2015A Bonds, as well as a part of the Authority's annual administrative expenditures and costs. All amounts payable under the Loan Agreement which are required to be paid to the Trustee under the Resolution and the Series 2015A Resolution for payment of the principal of Redemption Price of or interest on the Series 2015A Bonds have been pledged by the Authority for the benefit of the Holders of Outstanding Series 2015A Bonds.

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 Bonds thereunder, including the Series 2015A Bonds.

2. The Series 2015A Resolution has been duly adopted in accordance with the provisions of the Resolution and is authorized and permitted by the Resolution. The Resolutions have each been duly and lawfully adopted by the Authority, 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 2015A 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 2015A Bonds are legal, valid and binding special obligations of the Authority payable as provided in the Resolutions, are enforceable in accordance with their terms and the terms of the Resolutions and are entitled to the benefits of the Resolutions and the Act.

4. The Authority has the right and lawful authority and power to enter into the Loan Agreement and the Loan Agreement has been duly authorized, executed and delivered by the Authority and constitutes a legal, valid and binding obligation of the Authority enforceable in accordance with its terms.

5.* The Internal Revenue Code of 1986 (the "Code") sets forth certain requirements that must be met subsequent to the issuance and delivery of the Series 2015A Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Series 2015A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Series 2015A Bonds. Pursuant to the Series 2015A Resolution, the Loan Agreement and the Tax Certificate provided by the Authority and the Institute (the "Tax Certificate"), the Authority and the Institute have covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Series 2015A Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the Authority and the Institute have made certain representations and certifications in the Series 2015A Resolution, the Loan Agreement and the Tax Certificate. We have not independently verified the accuracy of those certifications and representations.

Under existing law, assuming compliance with certain covenants described herein, and the accuracy of the aforementioned representations and certifications, interest on the Series 2015A Bonds is excluded from gross

* This opinion to be given by Nixon Peabody LLP only.

income for federal income tax purposes under Section 103 of the Code. We are also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. No opinion is expressed as to whether interest on any portion of the Series 2015A Bonds is excluded from the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on corporations.

We are further of the opinion that the difference between the principal amount of the Series 2015A Bonds maturing on July 1, 2027 and on July 1, 2036 (collectively, the “Discount Bonds”) and the initial offering price to the public (excluding bond houses, brokers, or similar persons or organizations acting in capacity of underwriters or wholesalers) at which price a substantial amount of such Discount Bonds of the same maturity was sold constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Series 2015A Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning Discount Bonds, even though there will not be a corresponding cash payment.

6. Interest on the Series 2015A Bonds is exempt, by virtue of the Act, from personal income taxes of the State of New York and its political subdivisions, including The City of New York and the City of Yonkers.

The opinions contained in 2, 3 and 4 above are qualified to the extent that the enforceability of the Resolutions, the Series 2015A Bonds and the Loan Agreement may be limited by bankruptcy, insolvency, moratorium, reorganization or other laws affecting creditors’ rights generally or as to the availability of any particular remedy.

Except as stated in 5 and 6 above, we express no opinion as to any other federal, state or local tax consequences of the ownership or disposition of the Series 2015A Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the Series 2015A Bonds, or the interest thereon, if any action is taken with respect to the Series 2015A Bonds or the proceeds thereof upon the advice or approval of other counsel.

In connection with the delivery of this opinion, we are not passing upon the authorization, execution and delivery of the Loan Agreement by the Institute. We have assumed the due authorization, execution and delivery of the Loan Agreement by the Institute.

Very truly yours,

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