

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

NEW ISSUE



\$305,000,000
DORMITORY AUTHORITY
OF THE STATE OF NEW YORK
CORNELL UNIVERSITY
REVENUE BONDS, SERIES 2009A

Dated: Date of Delivery

Due: July 1, as shown on the inside

Payment and Security: The Cornell University Revenue Bonds, Series 2009A (the "Series 2009A Bonds") are special obligations of the Dormitory Authority of the State of New York (the "Authority"), payable solely from, and secured by a pledge of (i) certain payments to be made under the Loan Agreement dated as of January 26, 2000, as amended and supplemented (the "Loan Agreement") between Cornell University (the "University") and the Authority, and (ii) all funds and accounts (except the Arbitrage Rebate Fund and any fund established for the payment of the Purchase Price of Option Bonds tendered for purchase) established under the Authority's Cornell University Revenue Bond Resolution, adopted January 26, 2000, as amended and supplemented (the "Resolution"), and the Cornell University Series Resolution Authorizing Series 2009A Bonds, adopted February 25, 2009 (the "Series 2009A Resolution").

The Loan Agreement is a general, unsecured obligation of the University and requires the University to pay, in addition to the fees and expenses of the Authority and the Trustee, amounts sufficient to pay, when due, the principal, Sinking Fund Installments, if any, Purchase Price and Redemption Price of and interest on all Bonds issued under the Resolution, including the Series 2009A Bonds.

The Series 2009A Bonds will not be a debt of the State of New York (the "State") nor will the State be liable thereon. The Authority has no taxing power.

Description: The Series 2009A Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. Interest (due July 1, 2009 and each January 1 and July 1 thereafter) will be payable by check or draft mailed to the registered owners of the Series 2009A Bonds at their addresses as shown on the registration books held by the Trustee or, at the option of a holder of at least \$1,000,000 in principal amount of Series 2009A Bonds, by wire transfer to the holder of such Series 2009A Bonds, each as of the close of business on the fifteenth day of the month next preceding an interest payment date. The principal or Redemption Price of the Series 2009A Bonds will be payable at the principal corporate trust office of The Bank of New York Mellon, New York, New York, the Trustee and Paying Agent or, with respect to Redemption Price, at the option of a holder of at least \$1,000,000 in principal amount of Series 2009A Bonds, by wire transfer to the holders of such Series 2009A Bonds as more fully described herein.

The Series 2009A 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 2009A Bonds will be made in book-entry form (without certificates). So long as DTC or its nominee is the registered owner of the Series 2009A Bonds, payments of the principal, Purchase Price and Redemption Price of and interest on the Series 2009A Bonds will be made directly to DTC or its nominee. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement to beneficial owners is the responsibility of DTC participants. See "PART 3 - THE SERIES 2009A BONDS - Book-Entry Only System" herein.

Redemption: *The Series 2009A Bonds are subject to redemption and purchase in lieu of redemption prior to maturity as more fully described herein.*

Tax Exemption: In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2009A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). In the further opinion of Bond Counsel, interest on the Series 2009A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. Bond Counsel expresses no opinion as to whether some or all interest on the Series 2009A Bonds is included in adjusted current earnings when calculating federal corporate alternative minimum taxable income. Bond Counsel is also of the opinion that interest on the Series 2009A Bonds is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2009A Bonds. See "PART 10 - TAX MATTERS" herein.

The Series 2009A Bonds are offered when, as, and if issued and received by the Underwriters. The offer of the Series 2009A Bonds may be subject to prior sale or withdrawn or modified at any time without notice. The offer is subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for the University by its University Counsel and Secretary of the Corporation, James Mingle, Esq., Ithaca, New York. Certain legal matters will be passed upon for the Underwriters by their counsel, Nixon Peabody LLP, New York, New York. The Authority expects to deliver the Series 2009A Bonds in definitive form in New York, New York, on or about April 22, 2009.

J.P. Morgan

Barclays Capital

Morgan Keegan & Company, Inc.

Citi

Fidelity Capital Markets Services

Morgan Stanley

Merrill Lynch & Co.

Goldman, Sachs & Co.

M.R. Beal & Company

April 1, 2009

\$305,000,000

Cornell University

Revenue Bonds, Series 2009A

Dated: Date of Delivery

Interest Payment Date: Each July 1 and January 1 (commencing July 1, 2009)

\$160,215,000 Serial Bonds

<u>Due July 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Number¹</u>	<u>Due July 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Number¹</u>
2012	\$1,970,000	3.00%	1.48%	649905BQ8	2022	\$4,355,000	4.00%	4.00%	649905CJ3
2012	3,560,000	5.00	1.48	649905BR6	2022	4,230,000	5.00	3.97*	649905CK0
2013	2,975,000	3.00	1.98	649905BS4	2023	3,230,000	4.10	4.16	649905CL8
2013	2,790,000	5.00	1.98	649905BT2	2023	5,740,000	5.00	4.14*	649905CM6
2014	2,355,000	3.00	2.38	649905BU9	2024	3,030,000	4.25	4.31	649905CN4
2014	3,640,000	5.00	2.38	649905BV7	2024	6,355,000	5.00	4.31*	649905CP9
2015	2,540,000	3.00	2.64	649905BW5	2025	2,645,000	4.375	4.46	649905CQ7
2015	3,710,000	5.00	2.64	649905BX3	2025	7,190,000	5.00	4.46*	649905CR5
2016	1,940,000	3.00	2.86	649905BY1	2026	4,625,000	4.50	4.56	649905CS3
2016	4,570,000	5.00	2.86	649905BZ8	2026	5,685,000	5.00	4.56*	649905CT1
2017	3,160,000	4.00	3.09	649905CA2	2027	450,000	4.60	4.65	649905CU8
2017	3,635,000	5.00	3.09	649905CB0	2027	10,350,000	5.00	4.65*	649905CV6
2018	3,495,000	4.00	3.30	649905CC8	2028	1,820,000	4.70	4.74	649905CW4
2018	3,610,000	5.00	3.30	649905CD6	2028	9,525,000	5.00	4.74*	649905CX2
2019	545,000	4.00	3.50	649905CE4	2029	7,195,000	4.75	4.81	649905CY0
2019	6,880,000	5.00	3.50	649905CF1	2029	4,705,000	5.00	4.81*	649905CZ7
2020	7,710,000	5.00	3.67*	649905CG9	2030	11,825,000	4.75	4.89	649905DA1
2021	8,175,000	5.00	3.83*	649905CH7					

\$56,535,000 5.00% Term Bonds Due July 1, 2034, Yield 5.03% CUSIP Number 649905DB9¹

\$88,250,000 5.00% Term Bonds Due July 1, 2039, Yield 5.08% CUSIP Number 649905DC7¹

* Priced to the July 1, 2019 par call.

¹ CUSIP data herein are provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP numbers have been assigned by an independent company not affiliated with the Authority and are included solely for the convenience of the holders of the Series 2009A Bonds. The Authority is not responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Series 2009A Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Series 2009A Bonds.

No dealer, broker, salesperson or other person has been authorized by the Authority, the University or the Underwriters to give any information or to make any representations with respect to the Series 2009A Bonds, other than the information and representations contained in this Official Statement. If given or made, any such information or representations must not be relied upon as having been authorized by the Authority, the University or the Underwriters.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be a sale of the Series 2009A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

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

The University has reviewed the parts of this Official Statement describing the University, the 2009A Project, the Estimated Sources and Uses of Funds and Appendix B. It is a condition to the sale of and the delivery of the Series 2009A Bonds that the University certify to the Underwriters and the Authority that, as of the date of this Official Statement and of delivery of the Series 2009A Bonds, such parts do not contain any untrue statements of a material fact and do not omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading. The University makes no representation as to the accuracy or completeness of any other information included in this Official Statement.

References in this Official Statement to the Act, the Resolution, the Series 2009A Resolution and the Loan Agreement do not purport to be complete. Refer to the Act, the Resolution, the Series 2009A Resolution and the Loan Agreement for full and complete details of their provisions. Copies of the Resolution, the Series 2009A Resolution and the Loan Agreement are on file with the Authority and the Trustee.

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

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

IN CONNECTION WITH THE OFFERING OF THE SERIES 2009A BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2009A BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

515 BROADWAY, ALBANY, N.Y. 12207
GAIL H. GORDON, ESQ – CHAIR

OFFICIAL STATEMENT RELATING TO
\$305,000,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
CORNELL UNIVERSITY
REVENUE BONDS, SERIES 2009A

PART 1 – INTRODUCTION

Purpose of the Official Statement

The purpose of this Official Statement, including the cover page and appendices, is to provide information about the Authority and the University, in connection with the offering by the Authority of \$305,000,000 principal amount of its Cornell University Revenue Bonds, Series 2009A (the “Series 2009A Bonds”).

The following is a brief description of certain information concerning the Series 2009A Bonds, the Authority and the University. A more complete description of such information and additional information that may affect decisions to invest in the Series 2009A 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 2009A Bonds are being issued (i) to refinance a portion of the Authority’s outstanding Commercial Paper Notes (Cornell University 1998 Issue), (ii) to pay the Costs of the 2009A Project, (iii) to provide moneys sufficient to pay a portion of the interest on the Series 2009A Bonds and (iv) to pay certain Costs of Issuance of the Series 2009A Bonds. See “PART 4 - THE 2009A PROJECT” and “PART 5 - ESTIMATED SOURCES AND USES OF FUNDS.”

Authorization of Issuance

The Series 2009A Bonds will be issued pursuant to the Resolution, the Series 2009A Resolution and the Act. In addition to the Series 2009A Bonds, the Resolution authorizes the issuance of other Series of Bonds to pay costs of one or more Projects, to pay certain Costs of Issuance of such Series of Bonds and to refund all or a portion of Outstanding Bonds or other notes or bonds of the Authority issued for the benefit of the University. The Bonds permitted to be issued under the Resolution include Capital Appreciation Bonds, Deferred Income Bonds, Option Bonds and Variable Interest Rate Bonds. All Bonds issued under the Resolution rank on a parity with each other and are secured equally and ratably with each other. See PART 2 – “SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2009A BONDS.”

The Authority

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

The University

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

The Series 2009A Bonds

The Series 2009A Bonds are dated their date of delivery and bear interest from such date (payable July 1, 2009 and on each January 1 and July 1 thereafter) at the rates and will mature at the times set forth on the inside cover page of this Official Statement. See “PART 3 - THE SERIES 2009A BONDS - Description of the Series 2009A Bonds.”

Payment of the Series 2009A Bonds

The Series 2009A Bonds and all other Bonds which may be issued under the Resolution are special obligations of the Authority payable solely from the Revenues which consist of certain payments to be made by the University under the Loan Agreement, which payments are pledged and assigned to the Trustee. The Loan Agreement is a general, unsecured obligation of the University. See “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2009A BONDS - Payment of the Series 2009A Bonds.”

Security for the Series 2009A Bonds

The Series 2009A Bonds are secured equally with all other Bonds issued under the Resolution by the pledge of the Revenues, the proceeds of the Bonds and all funds and accounts established by the Resolution and any Series Resolution (other than the Arbitrage Rebate Fund and any fund established for the payment of the purchase price of Option Bonds tendered for purchase).

The Loan Agreement is a general, unsecured obligation of the University. No security interest in any revenues or assets of the University has been granted by the University to the Authority under the Loan Agreement. However, the University has granted security interests in certain revenues and assets of the University to secure certain of the University’s outstanding indebtedness other than the Bonds. In addition, pursuant to the Loan Agreement, the University may incur Debt secured by a lien and pledge of revenues of the University without granting to the Authority any security interest in any revenues to secure the University’s obligations under the Loan Agreement. See “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2009A BONDS - Security for the Series 2009A Bonds” and “ - Issuance of Additional Bonds.”

The Series 2009A Bonds will not be a debt of the State nor will the State be liable thereon. The Authority has no taxing power. Neither the State nor the Authority has any responsibility to make payments with respect to the Series 2009A Bonds except for the Authority’s responsibility to make payments from moneys received from the University pursuant to the Loan Agreement and from amounts held in the funds and accounts under the Resolution and pledged therefor.

The 2009A Project

The 2009A Project consists of the refinancing of a portion of the Authority’s outstanding Commercial Paper Notes (Cornell University 1998 Issue) and various construction and renovation projects throughout the University’s campus. See “PART 4 - THE 2009A PROJECT.”

PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2009A BONDS

Set forth below is a narrative description of certain contractual provisions relating to the source of payment of and security for the Series 2009A Bonds. These provisions have been summarized and this description does not purport to be complete. Reference should be made to the Act, the Loan Agreement, the Resolution, the Series 2009A Resolution and the Series 2009A Bond Series Certificate. Copies of the Loan Agreement, the Resolution, the Series 2009A Resolution and the Series 2009A Bond Series Certificate are on file with the Authority and the Trustee. See also “Appendix C - Summary of Certain Provisions of the Loan Agreement” and “Appendix D - Summary of Certain Provisions of the Resolution” for a more complete statement of the rights, duties and obligations of the parties thereto.

Payment of the Series 2009A Bonds

The Series 2009A Bonds and all other Bonds which have been and may be issued under the Resolution will be special obligations of the Authority. The principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Series 2009A Bonds and all other Bonds which may be issued under the Resolution are payable solely from the Revenues, which consist of payments to be made by the University pursuant to the Loan Agreement on account of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Bonds. The Revenues and the right to receive them have been pledged to the Trustee for the benefit of the Bondholders.

The Loan Agreement is a general, unsecured obligation of the University. The Loan Agreement obligates the University to make payments to satisfy the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on Outstanding Series 2009A Bonds. Payments made by the University in respect of interest on the Series 2009A Bonds are to be made on the 10th day of each June immediately preceding the July 1 and on the 10th day of each December immediately preceding the January 1 on which interest is payable, in each case in an amount equal to the interest coming due on the next succeeding interest payment date. Payments by the University in respect of principal are to be made on the 10th day of each June immediately preceding the July 1 on which such principal becomes due. The Loan Agreement also obligates the University to pay, at least 15 days prior to a redemption date or purchase date of Series 2009A Bonds called for redemption or contracted to be purchased, the amount, if any, required to pay the Purchase Price or Redemption Price of such Bonds. See "PART 3 - THE SERIES 2009A BONDS - Redemption and Purchase in Lieu of Redemption Provisions."

The Authority has directed, and the University has agreed, to make such payments directly to the Trustee. Such payments are to be applied by the Trustee to the payment of the principal and Redemption Price of and interest on the Series 2009A Bonds.

Security for the Series 2009A Bonds

The Series 2009A Bonds are secured equally with all other Bonds issued under the Resolution by the pledge of the Revenues, the proceeds of the Bonds and all funds and accounts established by the Resolution and any Series Resolution (other than the Arbitrage Rebate Fund and any fund established for the payment of the Purchase Price of Option Bonds tendered for purchase).

The Series 2009A Bonds will not be a debt of the State nor will the State be liable thereon. The Authority has no taxing power. Neither the State nor the Authority has any responsibility to make payments with respect to the Series 2009A Bonds except for the Authority's responsibility to make payments from moneys received from the University pursuant to the Loan Agreement and from amounts held in the funds and accounts under the Resolution and pledged therefor.

The Loan Agreement and the obligation of the University to make payments under the Loan Agreement are general, unsecured obligations of the University. The obligations of the University to make payments or cause the same to be made under the Loan Agreement are complete and unconditional and the amount, manner and time of making such payments are not to be decreased, abated, postponed or delayed for any cause or by reason of the happening or non-happening of any event, irrespective of any defense or any right of set-off, recoupment or counterclaim which the University may otherwise have against the Authority, the Trustee or any Bondholder for any cause whatsoever.

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

Events of Default and Acceleration

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

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

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

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

Issuance of Additional Bonds

In addition to the Bonds currently Outstanding under the Resolution and the Series 2009A Bonds, the Resolution authorizes the issuance of other Series of Bonds to finance one or more projects and for other specified purposes including to refund Outstanding Bonds or other notes or bonds of the Authority issued on behalf of the University. The Bonds which may be issued include Fixed Interest Rate Bonds, Capital Appreciation Bonds, Deferred Income Bonds, Option Bonds and Variable Interest Rate Bonds.

General

The Series 2009A Bonds will not be a debt of the State nor will the State be liable thereon. The Authority has no taxing power. The Authority has never defaulted in the timely payment of principal or sinking fund installments of or interest on its bonds or notes. See "PART 7 - THE AUTHORITY."

PART 3 – THE SERIES 2009A BONDS

Set forth below is a narrative description of certain provisions relating to the Series 2009A Bonds. These provisions have been summarized and this description does not purport to be complete. Reference should be made to the Resolution and the Loan Agreement, copies of which are on file with the Authority and the Trustee. See also “Appendix C - Summary of Certain Provisions of the Loan Agreement” and “Appendix D - Summary of Certain Provisions of the Resolution” for a more complete description of certain provisions of the Series 2009A Bonds.

General

The Series 2009A Bonds will be issued pursuant to the Resolution. The Series 2009A 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 2009A 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 2009A Bonds, payments of the principal, Purchase Price and Redemption Price of and interest on the Series 2009A 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 2009A 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 2009A Bonds, the Series 2009A Bonds will be exchangeable for fully registered Series 2009A Bonds in any authorized denominations of the same maturity without charge except the payment of any tax, fee or other governmental charge to be paid with respect to such exchange, subject to the conditions and restrictions set forth in the Resolution. See “Book-Entry Only System” below and “Appendix D - Summary of Certain Provisions of the Resolution.”

Description of the Series 2009A Bonds

The Series 2009A Bonds are dated their date of delivery and bear interest from such date (payable July 1, 2009 and on each January 1 and July 1 thereafter) at the rates set forth on the inside cover page of this Official Statement.

The Series 2009A Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof.

Interest on the Series 2009A Bonds will be payable by check mailed to the registered owners or, at the option of the registered owner of at least \$1,000,000 of Series 2009A Bonds, by wire transfer to the wire transfer address within the continental United States to which the registered owner has instructed the Trustee to make such payment at least five days prior to the interest payment date. If the Series 2009A Bonds are not registered in the name of DTC or its nominee, Cede & Co., the principal and Redemption Price of the Series 2009A Bonds will be payable in lawful money of the United States of America at the principal corporate trust office of The Bank of New York Mellon, New York, New York, the Trustee and Paying Agent.

For a more complete description of the Series 2009A Bonds, see “Appendix D - Summary of Certain Provisions of the Resolution.”

Redemption and Purchase in Lieu of Redemption Provisions

The Series 2009A Bonds are subject to optional redemption, and to purchase in lieu of redemption, as described below. For a more complete description of the redemption and other provisions relating to the Series 2009A Bonds, see “Appendix D—Summary of Certain Provisions of the Resolution.”

Optional Redemption

The Series 2009A Bonds maturing on or before July 1, 2019 are not subject to optional redemption prior to maturity. The Series 2009A Bonds maturing after July 1, 2019 are subject to redemption prior to maturity on or after July 1, 2019, in any order at the option of the Authority, as a whole or in part at any time, at a price of 100% of the principal amount thereof plus accrued interest to the redemption date.

Mandatory Redemption

The Series 2009A Bonds maturing on July 1, 2034 and on July 1, 2039 are subject to redemption, in part, through application of Sinking Fund Installments upon notice given as prescribed in the Resolution, at a Redemption Price equal to 100% of the principal amount of Series 2009A Bonds to be redeemed, plus accrued

interest, if any, to the date of redemption. Unless none of the Series 2009A Bonds of a maturity to be so redeemed are then Outstanding and, subject to the provisions of the Resolution permitting amounts to be credited to part or all of any one or more Sinking Fund Installments, there shall be due and the Authority shall be required to pay for the retirement of the Series 2009A Bonds on July 1 of each of the years set forth in the following table, the amount set forth opposite such year:

<u>Series 2009A Bonds Maturing July 1, 2034</u>		<u>Series 2009A Bonds Maturing July 1, 2039</u>	
2031	\$13,115,000	2035	\$15,970,000
2032	13,775,000	2036	16,765,000
2033	14,460,000	2037	17,610,000
2034	15,185,000 [†]	2038	18,490,000
		2039	19,415,000 [†]

[†] Final maturity.

There will be credited against and in satisfaction of the Sinking Fund Installment payable on any date, the principal amount of Series 2009A Bonds entitled to such Sinking Fund Installment (A) purchased with moneys in the Debt Service Fund pursuant to the Resolution, (B) redeemed at the option of the Authority, (C) purchased by the University or the Authority and delivered to the Trustee for cancellation or (D) deemed to have been paid in accordance with the Resolution. Series 2009A Bonds purchased with moneys in the Debt Service Fund will be applied in satisfaction of a required Sinking Fund Installment of the Series 2009A Bonds in accordance with the Resolution. Series 2009A Bonds redeemed at the option of the Authority, purchased by the Authority or the University (other than from amounts on deposit in the Debt Service Fund) or deemed to have been paid in accordance with the Resolution will be applied in satisfaction, in whole or in part, of one or more Sinking Fund Installments as the Authority may direct in its discretion. To the extent the Authority's obligation to make Sinking Fund Installments in a particular year is so satisfied, the likelihood of redemption through mandatory Sinking Fund Installments of a Bondholder's Series 2009A Bonds of the maturity so purchased will be reduced for such year.

Purchase in Lieu of Optional Redemption

The Series 2009A Bonds maturing after July 1, 2019 are also subject to purchase in lieu of optional redemption prior to maturity at the election of the University, on or after July 1, 2019, in any order, in whole or in part at any time, at a price of 100% of the principal amount thereof (the "Purchase Price"), plus accrued interest to the date set for purchase (the "Purchase Date").

Special Redemption

The Series 2009A Bonds are subject to redemption prior to maturity at the option of the Authority, in whole or in part on any interest payment date, at 100% of the principal amount thereof plus accrued interest to the redemption date (i) from proceeds of a condemnation or insurance award, which proceeds are not used to repair, restore or replace the Project to which such proceeds relate, and (ii) from unexpended proceeds of the Series 2009A Bonds upon the abandonment of all or a portion of the Project due to a legal or regulatory impediment.

Selection of Bonds to be Redeemed

In the case of redemptions of Series 2009A Bonds, other than mandatory redemptions, the Authority will select the maturities of the Series 2009A Bonds to be redeemed. If less than all of the Series 2009A Bonds of a maturity are to be redeemed, the Series 2009A 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

Generally, the Trustee is to give notice of the redemption of the Series 2009A Bonds in the name of the Authority, by first-class mail, postage prepaid, not less than 30 days nor more than 60 days prior to the redemption date to the registered owners of any Series 2009A Bonds which are to be redeemed, at their last known addresses appearing on the registration books of the Authority not more than ten Business Days prior to the date such notice is given. Each notice of redemption will state, in addition to any other condition, that the redemption is conditioned upon the availability on the redemption date of sufficient moneys to pay the Redemption Price of the Series 2009A Bonds to be redeemed. The failure of any owner of a Series 2009A Bond to be redeemed to receive notice of

redemption will not affect the validity of the proceedings for the redemption of such Series 2009A Bond. If directed in writing by an Authorized Officer of the Authority, the Trustee will publish or cause to be published such notice in an Authorized Newspaper not less than 30 days nor more than 60 days prior to the redemption date, but publication is not a condition precedent to such redemption and failure to publish such notice or any defect in such notice or publication will not affect the validity of the proceedings for the redemption of such Series 2009A Bonds.

If on the redemption date moneys for the redemption of the Series 2009A Bonds of like maturity to be redeemed, together with interest thereon to the redemption date, are held by the Trustee so as to be available for payment of the redemption price, and if notice of redemption has been mailed, then interest on the Series 2009A Bonds of such maturity will cease to accrue from and after the redemption date and such Series 2009A Bonds will no longer be considered to be Outstanding.

Notice of Purchase in Lieu of Redemption and its Effect

Notice of purchase of the Series 2009A Bonds will be given in the name of the University to the registered owners of the Series 2009A Bonds to be purchased by first-class mail, postage prepaid, not less than 30 days nor more than 60 days prior to the Purchase Date specified in such notice. The Series 2009A Bonds to be purchased are required to be tendered on the Purchase Date to the Trustee. Series 2009A Bonds to be purchased that are not so tendered will be deemed to have been properly tendered for purchase. If the Series 2009A Bonds are called for purchase in lieu of an optional redemption, such purchase will not extinguish the indebtedness of the Authority evidenced thereby or modify the terms of the Series 2009A Bonds. Such Series 2009A Bonds need not be cancelled, and will remain Outstanding under the Resolution and continue to bear interest.

The University's obligation to purchase a Series 2009A Bond to be purchased or cause it to be purchased is conditioned upon the availability of sufficient money to pay the Purchase Price for all of the Series 2009A Bonds to be purchased on the Purchase Date. If sufficient money is available on the Purchase Date to pay the Purchase Price of the Series 2009A Bonds to be purchased, the former registered owners of such Series 2009A Bonds will have no claim thereunder or under the Resolution or otherwise for payment of any amount other than the Purchase Price. If sufficient money is not available on the Purchase Date for payment of the Purchase Price, the Series 2009A Bonds tendered or deemed tendered for purchase will continue to be registered in the name of the registered owners on the Purchase Date, who will be entitled to the payment of the principal of and interest on such Series 2009A Bonds in accordance with their respective terms.

If not all of the Outstanding Series 2009A Bonds of a maturity are to be purchased, the Series 2009A Bonds of such maturity to be purchased will be selected by lot in the same manner as Series 2009A Bonds of a maturity to be redeemed in part are to be selected.

For a more complete description of the redemption and other provisions relating to the Series 2009A Bonds, see "Appendix D - Summary of Certain Provisions of the Resolution." Also see "Book-Entry Only System" below for a description of the notices of redemption to be given to Beneficial Owners of the Series 2009A Bonds when the Book-Entry Only System is in effect.

Book-Entry Only System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2009A Bonds. The Series 2009A Bonds will be issued as fully-registered securities in the name of Cede & Co. (DTC's partnership nominee), or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2009A Bond certificate will be issued for each maturity of the Series 2009A 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 U.S. Securities Exchange Act of 1934, as amended. DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include 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 in turn owned by a number of its Direct Participants and Members of

the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation and Emerging Markets Clearing Corporation, also subsidiaries of DTCC, as well as by the New York Stock Exchange, Inc., the American Stock Exchange Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The rules applicable to DTC and its Direct and Indirect Participants are on file with the Securities and Exchange Commission.

Purchases of Series 2009A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2009A Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2009A 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, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2009A Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2009A Bonds, except in the event that use of the book-entry system for the Series 2009A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2009A 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 2009A Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2009A Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2009A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to Cede & Co. (or such other nominee). If less than all of the Bonds within a maturity of the Series 2009A Bonds 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 such other nominee) will consent or vote with respect to Series 2009A Bonds. Under its usual procedures, DTC mails an omnibus proxy (the “Omnibus Proxy”) to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Series 2009A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and redemption premium, if any, of and interest payments on the Series 2009A 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 receipt of funds and corresponding detail information from the Authority or the Trustee on the payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in street name, and will be the responsibility of such Participant and not of DTC, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, 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 the Authority or the Trustee, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

The Authority and the Trustee may treat DTC (or its nominee) as the sole and exclusive registered owner of the Series 2009A Bonds registered in its name for the purposes of payment of the principal and redemption premium, if any, of, or interest on, the Series 2009A Bonds, giving any notice permitted or required to be given to registered owners under the Resolution, registering the transfer of the Series 2009A Bonds, or other action to be taken by registered owners and for all other purposes whatsoever. The Authority and the Trustee shall not have any

responsibility or obligation to any Direct or Indirect Participant, any person claiming a beneficial ownership interest in the Series 2009A Bonds under or through DTC or any Direct or Indirect Participant, or any other person which is not shown on the registration books of the Authority (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 2009A 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 the Authority; 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.

For every transfer and exchange of beneficial ownership of any of the Series 2009A Bonds, a Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

DTC may discontinue providing its service as securities depository with respect to the Series 2009A Bonds at any time by giving reasonable notice to the Authority and the Trustee, or the Authority may terminate its participation in the system of book-entry transfer through DTC at any time by giving notice to DTC. In either event, the Authority may retain another securities depository for the Series 2009A Bonds or may direct the Trustee to deliver bond certificates in accordance with instructions from DTC or its successor. If the Authority directs the Trustee to deliver such bond certificates, such Series 2009A Bonds may thereafter be exchanged for an equal aggregate principal amount of Series 2009A Bonds in any other authorized denominations and of the same maturity as set forth in the Resolution, upon surrender thereof at the principal corporate trust office of the Trustee, who will then be responsible for maintaining the registration books of the Authority.

NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO SUCH DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS, OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR SUCH DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS. PAYMENTS MADE TO DTC OR ITS NOMINEE SHALL SATISFY THE AUTHORITY'S OBLIGATION UNDER THE ACT AND THE RESOLUTION TO THE EXTENT OF SUCH PAYMENTS.

So long as Cede & Co. is the registered owner of the Series 2009A Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the Series 2009A Bonds (other than under the captions "PART 10 - TAX MATTERS" herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 2009A Bonds.

Unless otherwise noted, certain of the information contained in the preceding paragraphs of this subsection "Book-Entry-Only System" has been extracted from information furnished by DTC. Neither the Authority nor the Underwriters make any representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

Principal and Interest Requirements

The following table sets forth the amounts, after giving effect to the issuance of the Series 2009A Bonds, required to be paid by the University during each twelve month period ending June 30 of the Bond Years shown for the payment of the principal of and interest on the Series 2009A Bonds, debt service on other outstanding indebtedness of the University and the total debt service on all indebtedness of the University, including the Series 2009A Bonds. See “PART 6 - THE UNIVERSITY - Indebtedness.”

<u>Series 2009A Bonds</u>					
<u>12 Month Period Ending June 30</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Debt Service on the Series 2009A Bonds</u>	<u>Debt Service on Other Outstanding Indebtedness</u> ⁽¹⁾⁽²⁾	<u>Total Debt Service</u> ⁽¹⁾⁽²⁾
2009	\$ -	\$ 2,827,580	\$ 2,827,580	\$ 55,445,994	\$ 58,273,574
2010	-	14,752,589	14,752,589	75,350,748	90,103,337
2011	-	14,752,589	14,752,589	82,603,756	97,356,345
2012	5,530,000	14,752,589	20,282,589	82,048,019	102,330,608
2013	5,765,000	14,515,489	20,280,489	79,707,529	99,988,018
2014	5,995,000	14,286,739	20,281,739	328,907,332	349,189,071
2015	6,250,000	14,034,089	20,284,089	76,153,294	96,437,383
2016	6,510,000	13,772,389	20,282,389	60,556,229	80,838,618
2017	6,795,000	13,485,689	20,280,689	60,867,312	81,148,001
2018	7,105,000	13,177,539	20,282,539	61,328,397	81,610,936
2019	7,425,000	12,857,239	20,282,239	311,719,775	332,002,014
2020	7,710,000	12,491,439	20,201,439	47,887,982	68,089,421
2021	8,175,000	12,105,939	20,280,939	48,468,445	68,749,384
2022	8,585,000	11,697,189	20,282,189	48,123,963	68,406,152
2023	8,970,000	11,311,489	20,281,489	49,845,328	70,126,817
2024	9,385,000	10,892,059	20,277,059	50,722,333	70,999,392
2025	9,835,000	10,445,534	20,280,534	51,629,378	71,909,912
2026	10,310,000	9,970,315	20,280,315	43,117,136	63,397,451
2027	10,800,000	9,477,940	20,277,940	43,149,824	63,427,764
2028	11,345,000	8,939,740	20,284,740	43,238,029	63,522,769
2029	11,900,000	8,377,950	20,277,950	43,354,691	63,632,641
2030	11,825,000	7,800,938	19,625,938	39,311,756	58,937,694
2031	13,115,000	7,239,250	20,354,250	30,572,314	50,926,564
2032	13,775,000	6,583,500	20,358,500	30,746,963	51,105,463
2033	14,460,000	5,894,750	20,354,750	30,866,519	51,221,269
2034	15,185,000	5,171,750	20,356,750	25,327,471	45,684,221
2035	15,970,000	4,412,500	20,382,500	25,537,104	45,919,604
2036	16,765,000	3,614,000	20,379,000	13,365,676	33,744,676
2037	17,610,000	2,775,750	20,385,750	13,504,652	33,890,402
2038	18,490,000	1,895,250	20,385,250	-	20,385,250
2039	19,415,000	970,750	20,385,750	-	20,385,750

- (1) For the purpose of this table, variable interest rates for debt of approximately \$257.3 million are assumed at rates of 3.842% to 4.25%. Variable interest rates for approximately \$283 million of other debt are assumed at the applicable fixed swap rate of 2.989% to 4.626%.
- (2) This table excludes any debt outstanding under the \$200 million authorized tax-exempt commercial paper program and the \$200 million taxable commercial paper program.

PART 4 - THE 2009A PROJECT

The 2009A Project consists of the refinancing of a portion of the Authority's outstanding Commercial Paper Notes (Cornell University 1998 Issue) and various construction and renovation projects located throughout the University's campuses. Proceeds from the Commercial Paper Notes were used to finance certain construction projects, renovations and other improvements for the campus facilities in Ithaca, New York, and at the New York City Weill Medical College Campus.

PART 5 – ESTIMATED SOURCES AND USES OF FUNDS

Estimated sources and uses of funds are as follows:

Sources of Funds

Principal Amount of the Series 2009A Bonds	\$305,000,000
Net Original Issue Premium.....	<u>7,100,133</u>
Total Sources of Funds	<u>\$312,100,133</u>

Uses of Funds

Costs of the 2009A Project	\$291,150,843
Capitalized Interest	16,444,611
Costs of Issuance	2,815,889
Underwriters' Discount.....	<u>1,688,790</u>
Total Uses of Funds	<u>\$312,100,133</u>

PART 6 - THE UNIVERSITY

GENERAL INFORMATION

Introduction

Cornell University ("Cornell" or the "University") is a private, not-for-profit, co-educational, nonsectarian institution of higher learning chartered and operated under the laws of the State of New York (the "State"). Cornell was founded by Ezra Cornell whose original endowment was augmented by a substantial land grant from the State of New York received under the Federal Land Grant (Morrill) Act of 1862. The University is comprised of six privately funded schools and colleges located in Ithaca, New York (the "Endowed Colleges"), four State-supported schools located in Ithaca, New York (the "Contract Colleges"), and the Joan and Sanford I. Weill Medical College and Graduate School of Medical Sciences of Cornell University located in New York City (the "Medical College"). During the fall of 2008, approximately 13,800 undergraduate students and 7,300 graduate and professional students were enrolled in the University.

In addition to the academic programs of the University located at its main campus in Ithaca, New York and in New York City, extension services and research are carried out throughout New York State and at its radio telescope facility in Arecibo, Puerto Rico. The Medical College also has a teaching facility in Doha, Qatar. Cornell's land holdings, as of October 2008, comprise approximately 11,112 tax-exempt and 361 taxable acres in Tompkins County, New York; approximately 6,105 tax-exempt and 76 taxable acres in other areas of the State; and 1,501 taxable acres outside the State. As of June 2008, the physical plant at Cornell's campus in Tompkins County, to which substantial additions have been made in recent years, includes 745 buildings; and the physical plant at Cornell's Medical College campus in New York City includes approximately 49 buildings. The University also owns approximately 90 buildings at the Agricultural Experiment Station in Geneva, New York.

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

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

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

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

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

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

The Cornell University Library ("CUL") includes over 7.9 million volumes, 122,000 sound recordings, 253,000 maps, 97,000 graphic, film and video items, 20,000 computer files, 72,000 cubic feet of manuscripts, and 8.3 million microforms. It also owns or provides access to an estimated 93,000 current print and electronic serial titles, and over 390,000 e-books and 60 locally created/maintained digital collections. Cornell is a member of the Research Libraries Group, the Online Computer Library Center, the Association of Research Libraries, the Center for Research Libraries, the Digital Library Federation, the Council on Library and Information Resources, the Coalition for Networked Information and the South Central Regional Library Council.

Contract Colleges

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

State operating and capital contributions provide significant financial support to the integrated academic and research program of the University as well as general campus overhead costs. Total funding from all sources (tuition, State, Federal, gifts, etc.), for the operations of the Contract Colleges amounted to approximately \$638 million for the year ended June 30, 2008. The State appropriations for operation of the Contract Colleges received through SUNY of approximately \$168 million for 2007-08 represent about 26% of the 2007-08 operating budget for the Contract Colleges. State operating budget appropriations are received as part of the SUNY appropriation budget and are based on negotiation with SUNY and the New York State Department of Budget. In addition to the direct operating budget appropriation received through SUNY, State funds (which do not appear in Cornell's budget) also support fringe benefits and debt service on bonds used to finance Contract College facilities. Future State support for the Contract Colleges is dependent on the enactment of annual appropriations by the State and the

willingness and ability of the State and SUNY to provide such payments. In the event that future State support for the Contract Colleges is below historic levels, the University may be required to increase tuition charges and/or decrease expenditures at the Contract Colleges. See “Tuition and Other Student Charges” below.

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

Governance

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

CORNELL UNIVERSITY BOARD OF TRUSTEES

Trustee	Affiliation	Board Position
PETER C. MEINIG	Chairman and Chief Executive Officer, HM International, Inc	Chairman
SAMUEL C. FLEMING	President, Briland LLC	Vice Chairman
ROBERT S. HARRISON	Chief Executive Officer, Clinton Global Initiative, William J. Clinton Foundation,	Vice Chairman
DAVID W. ZALAZNICK	Chairman, Jordan/Zalaznick Advisors, Inc.	Vice Chairman
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DAVID J. SKORTON	President, Cornell University	Ex-Officio

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(1) J.P. Morgan Securities Inc. is serving as lead managing Underwriter for the Series 2009A Bonds.

(2) Nixon Peabody, LLP is serving as Bond Counsel to the Authority for the Series 2009A Bonds.

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

Administration

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

<u>Name</u>	<u>Position</u>
David J. Skorton	President
W. Kent Fuchs	Provost
Antonio M. Gotto, Jr.	Provost for Medical Affairs
Stephen T. Golding	Executive Vice President for Finance and Administration
James J. Mingle	University Counsel and Secretary of the Corporation

Brief biographies for each of the above listed officers follow:

DAVID J. SKORTON became Cornell's 12th President on July 1, 2006. President Skorton holds faculty appointments in internal medicine and pediatrics at the Weill Cornell Medical College in New York City and in biomedical engineering at the College of Engineering on the Ithaca campus. He earned his bachelor's degree in psychology in 1970 and an M.D. in 1974, both from Northwestern University. Following a medical residency and cardiology fellowship at the University of California, Los Angeles, he joined the faculty of the University of Iowa in 1980, serving 26 years as a faculty member and administrator, including as university president from March 2003 until June 2006. He is a member of the Council on Foreign Relations, the Federal Bureau of Investigation-National Security Higher Education Advisory Board, a member of the Chronicle of Higher Education/New York Times Higher Education Cabinet, co-chair of the Africa-U.S. Higher Education Initiative Advisory Board, and chair of the Business-Higher Education Forum.

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

ANTONIO M. GOTTO, JR., M.D., D.Phil, the Stephen and Suzanne Weiss Dean of the Weill Cornell Medical College and Provost for Medical Affairs since January 1, 1997, received a B.A. in 1961 from the University of Oxford, where he was a Rhodes Scholar and his M.D. in 1965 from Vanderbilt University School of Medicine. Dr. Gotto spent over two decades at Baylor College of Medicine in Houston, Texas, where he was the Bob and Vivian Smith Professor and Chairman of the Margaret M. and Albert B. Alkek Department of Medicine and the Chief of the Internal Medicine Service at the Methodist Hospital in Houston, Texas. During that time, he also held the J.S. Abercrombie Professor Chair for Atherosclerosis and Liprotein Research and was the Scientific Director of The DeBakey Heart Center at Baylor. Dr. Gotto has served as National President of the American Heart Association, as a member of the National Heart, Lung and Blood Advisory Council on the National Diabetes Advisory Board, and as President of the International Atherosclerosis Society. He is a member of the National Institute of Medicine and the National Academy of Sciences.

STEPHEN T. GOLDING was elected the Samuel W. Bodman Executive Vice President for Finance and Administration on February 1, 2005 by the Board of Trustees, effective April 1, 2005. He received a Bachelor of Arts degree in History from Washington College in 1972 and a Masters of Arts degree in Political Science from the University of Delaware in 1982. Prior to his Cornell appointment he served as the Vice President for Budget and Finance and CFO for the University of Colorado. He also worked in the State of Delaware as Director of Administration in the Department of Transportation and the Secretary of Finance. After serving as the Executive Director of Resource Planning and Budget from 1991 to 1994 and the Vice President for Finance and CFO from 1994 to 1997 at the University of Pennsylvania, he joined Morgan Stanley Investment Management for six years.

Golding serves on the Board of Visitors and Governors for Washington College, and is an ex-officio member of the National Association of State Budget Officers.

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

Financial Management

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

Cornell’s budget is approved by the Board of Trustees in May of each year and is developed through the following process. Contract Colleges: The State budget for the Contract Colleges is dependent upon the preparation of the budget for the State. The State budget development process for the Contract Colleges begins in late spring with preliminary requests that are reviewed with SUNY and culminates with the adoption of the State budget for the following State fiscal year (April 1 - March 31). The State budget for 2010 has yet to be adopted. The Contract Colleges also begin preparing an all-funds budget in the fall for approval in late spring. Endowed Colleges, Medical College and Contract Colleges: These units set basic priorities and income estimates in the fall which are then reviewed and refined and become the basis for the development of unit budget plans in the spring. The Medical College budget must first be approved by the Board of Overseers of the Medical College before becoming ratified by the Board of Trustees. Capital Budget: The capital budget process, through which the University considers the priorities, costs, and financing of capital projects, occurs throughout the year.

OPERATING INFORMATION

Application, Admissions and Enrollment

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

Freshman Admission Statistics					
Fall	Total Applications	Acceptances	Acceptance Rate	Number Enrolled	Yield
2004	20,822	6,130	29.4%	3,093	50.5%
2005	24,452	6,621	27.1	3,076	46.5
2006	28,098	6,935	24.7	3,238	46.7
2007	30,383	6,503	21.4	3,055	47.0
2008	33,073	6,834	20.7	3,183	46.6

For the Fall 2009 freshman class, the University has received approximately 34,000 new applications.

The quality of applicants, as measured by class rank and entrance examination scores, is consistently high. The following table sets forth the percentage of Cornell's entering freshman achieving a score of 600 or greater on each component of the Scholastic Aptitude Test ("SAT") for the past five years. For the most recent class, entering in fall 2008, 86% scored over 600 on the verbal component and 93% scored over 600 on the math component. For fall 2008, 88% of entering freshmen graduated in the top 10% of their high school class (of the 40% who came from schools that report class rank).

Percentage of Entering Freshman Scoring 600+ on SAT

<u>Fall</u>	<u>Verbal</u>	<u>Math</u>
2004	88%	94%
2005	85	93
2006	86	92
2007	87	93
2008	86	93

The following table sets forth admissions to the Graduate School and Professional Schools for fall 2008.

**Graduate and Professional School Admissions
Fall 2008**

<u>School</u>	<u>Total Applications</u>	<u>Acceptances</u>	<u>Acceptance Rate</u>	<u>Number Enrolled</u>	<u>Yield</u>
Graduate School	14,152	3,120	22%	1,287	41%
Graduate School of Medical Sciences	570	134	24	69	51
Medical College (MD)	5,827	287	5	103	36
Law School	3,923	824	21	198	24
Graduate School of Management	2,838	586	21	329	56
Veterinary School	913	113	12	86	76

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

Enrollment Summary

<u>Fall</u>	<u>Full-Time Undergraduate</u>	<u>Full-Time Graduate/Professional & Medical College</u>	<u>Total Full-Time Enrollment</u>
2004	13,625	6,611	20,236
2005	13,515	6,683	20,198
2006	13,562	6,855	20,417
2007	13,510	7,134	20,644
2008	13,846	7,336	21,182

Cornell attracts a diverse student body with students from every state of the United States and over 100 foreign countries represented. For the fall of 2008, 29% of students enrolled at the Ithaca campus were from New York State, which is a decrease from 33% since fiscal year 2004. The percentage of international students enrolled increased 1% over the last five years to 17%. The percentage of students, collectively, from the Middle Atlantic States (excluding New York), New England, the Midwest, the West, the South and the Southwest increased 3% over the same five-year period to 54%.

Tuition and Other Student Charges

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

	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
ENDOWED ITHACA						
Undergraduate	\$30,000	\$31,300	\$32,800	\$34,600	\$36,300	\$37,780
Graduate (research)	30,000	31,300	32,800	32,800	29,500	29,500
Graduate (professional)	30,000	31,300	32,800	34,600	36,300	37,750
Graduate School of Mgt (entering)	34,400	36,350	38,800	42,700	44,950	47,150
Graduate School of Mgt (continuing)	34,400	36,350	38,800	40,700	44,950	46,700
Law School (entering)	35,280	37,750	40,580	43,620	46,670	48,950
Law School (second)	35,280	37,000	39,640	42,710	45,800	48,950
Law School (third)	35,280	36,280	38,850	41,720	44,850	48,050
ENDOWED NEW YORK CITY*						
Medical College (entering)	31,380	32,320	33,775	39,180	41,730	
Medical College (continuing)	31,380	32,320	33,775	35,465	37,240	
Graduate Medical College	22,910	23,600	24,660	25,647	27,157	
CONTRACT COLLEGES						
Undergraduate:						
Resident	15,870	17,200	18,060	19,110	20,160	21,610
Non-Resident (Entering Students)	28,400	30,200	31,700	33,500	35,200	37,750
Non-Resident (Continuing Students Yr 2-3)	27,170	30,200	31,700	33,500	35,200	37,750
Non-Resident (Continuing Students Yr 4)	27,170	29,000	31,700	33,500	35,200	37,750
Graduate:						
Non-Veterinary (professional)	17,970	19,300	20,800	20,800	20,800	20,800
Non-Veterinary (research)	17,970	19,300	20,800	22,600	23,720	24,700
Veterinary Medicine:						
Resident	20,500	22,000	23,000	24,000	25,100	26,500
Non-Resident	29,000	31,500	33,000	35,000	37,100	39,500
Graduate	18,000	19,300	20,800	20,800	20,800	20,800

* Tuition rates for 2009-10 will not be approved until April, 2009.

In addition to tuition, students on the Ithaca campus pay an annual activity fee (approximately \$204 for undergraduate students and \$70 for graduate and professional students for 2008-09) and students in the Medical College pay a health service fee (\$1,250 for 2008-09). There are several room and board plans. The average cost for room and board for 2008-09 is \$11,640 and for 2009-10 is \$12,110.

Financial Aid

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

For the academic year 2007-08, approximately 62% of all Cornell undergraduates received some form of financial assistance. Approximately 46% were provided need-based financial aid, which amounted to \$170 million from all sources, in the form of grant aid, loans and jobs.

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

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

Academic Year	Cornell Aid	State Aid	Federal Aid	Outside Awards	Total
2003-04	\$94,642	\$5,709	\$47,421	\$7,978	\$155,750
2004-05	104,901	5,499	43,134	8,148	161,682
2005-06	109,489	5,362	41,722	7,707	164,280
2006-07	115,677	5,221	40,499	7,758	169,155
2007-08	117,065	4,969	40,633	7,337	170,004

In addition to the amounts described above, need-based financial assistance to undergraduate students for academic year 2007-08 included various loan programs (\$43.5 million) and jobs (\$8.1 million).

Financial assistance in the Graduate School is based on a student receiving one-half or more of his or her educational expenses. Support is focused upon students in doctoral programs; in 2007-08, 92% of the 3,195 doctoral students on campus received support. Among the doctoral students receiving support, 71% held teaching and research assistantships with the University, and an additional 29% received Cornell or outside fellowship support. In 2007-08, 55% of the 188 students in M.A. and M.S. degree programs (master's programs that are research degrees) received Cornell support as an assistantship, while an additional 15% received Cornell or outside fellowships. The remaining 30% were on self or unknown support. In 2007-08, 69% of the students in professional master's degree programs were on self or unknown support.

In fiscal year 2008-09, the University eliminated need-based loans going forward for undergraduate students from families with income under \$60,000, and capped loans annually at \$3,000 for students from families with incomes between \$60,000 and \$120,000. In fiscal year 2009-10, the University will eliminate need-based loans for students from families with incomes up to \$75,000 and will cap annual loans at \$3,000 for students from families with income between \$75,000 and \$120,000. The University will also eliminate the parental contribution for students from families with income below \$60,000 and assets below \$100,000. The University will increase the amount of grants it makes to students in place of such need-based loans and parental contribution. Beginning in fiscal year 2010, the University approved an additional \$35 million annual draw from the University endowment to support the financial aid programs.

Faculty

The Cornell faculty includes leading scientists and scholars in hundreds of disciplines from many parts of the United States and abroad. Faculty members include Nobel Laureates, Pulitzer Prize winners, National Medal of Science winners, as well as other national award recipients. The resident faculty (exclusive of the Medical College), 99% of which held doctorates, first professional, or terminal professional degrees in academic year 2008-09, is supplemented each year by visiting scholars and lecturers from around the world.

In academic year 2008-09, Ithaca campus faculty totaled 1,633 and the Medical College faculty for academic year 2007-08 totaled 1,112. The following table sets forth the faculty profile for the last five academic years, including acting appointments but excluding faculty at the Medical College and courtesy, visiting, adjunct, emeritus, Health Services and ROTC appointments.

Faculty Profile

Academic Year	Full-Time Faculty	Part-Time Faculty	Total Faculty	Percent of Total Faculty Tenured
2004-05	1,511	71	1,582	77%
2005-06	1,513	81	1,594	77
2006-07	1,548	85	1,633	77
2007-08	1,557	90	1,647	76
2008-09	1,553	80	1,633	77

Employee Relations

Cornell University has collective bargaining agreements with six unions covering approximately 1,510 of its 4,111 non-exempt regular full-time and 454 non-exempt regular part-time employees. The contracts are with the Building Trades Council (June 2010), the Communication Workers of America (September 2008 – contract mutually agreed to be extended until further notice), the International Union of Operating Engineers (March 2010), the Cornell University Police Union (November 2009), the United Auto Workers (June 2009) and the Security, Police and Fire Professionals of America (September 2011).

ANNUAL FINANCIAL STATEMENT INFORMATION

Financial Position

As of June 30, 2008, Cornell's total assets were \$10.61 billion, liabilities were \$2.57 billion, and Cornell's net assets were \$8.04 billion. The assets were dominated by investments of \$6.55 billion, and land, buildings, and equipment of \$2.62 billion. The \$6.55 billion of investments was primarily \$5.39 billion of endowment and similar funds. The \$2.62 billion of land, buildings, and equipment was net of \$1.63 billion of accumulated depreciation. Receivables from various kinds of government agencies, patients of the faculty practice plan at the Medical College, students (including amounts loaned to present and former students), donor contributions and others were \$1.02 billion, with funds held in trust by others, collateral for securities loaned, inventories and deferred expenses making up the balance of the assets.

Following is a summary of Assets, Liabilities and Net Assets as of June 30, for the years 2004 through 2008. In fiscal year 2006-07, the University changed the presentation of the financial statements to be more consistent with industry norms and to provide better management information. Such changes had no impact on the University's financial position. The financial statements are displayed in the new format for fiscal years ended 2006, 2007 and 2008 and the previous format for fiscal years ended 2004 and 2005.

Assets, Liabilities, and Net Assets June 30, (In Thousands)

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

Assets, Liabilities, and Net Assets
June 30,
(In Thousands)

	<u>2004</u>	<u>2005</u>
Assets		
Cash and cash equivalents	\$ 59,755	\$ 54,543
Collateral for securities loaned	235,681	197,090
Investments	4,150,749	4,589,949
Accounts receivable, net		
Government	54,772	52,521
Patients	57,276	55,705
Contributions	359,736	311,949
Other	135,261	110,227
Inventories and deferred charges	41,496	46,212
Student loans receivable	66,905	65,526
Land, buildings, and equipment, net	1,728,844	1,872,241
Funds held in trust by others	<u>100,384</u>	<u>93,868</u>
Total assets	<u>6,990,859</u>	<u>7,449,831</u>
Liabilities		
Accounts payable and accrued expenses	224,842	236,960
Security loan agreements payable	235,681	197,090
Deposits and deferred revenues	63,874	63,578
Deferred benefits	163,641	207,439
Funds held in trust for others	86,540	99,291
Living trust obligations	86,327	99,409
Bonds, mortgages, and notes payable	605,955	630,778
Refundable government grants	<u>43,577</u>	<u>44,820</u>
Total liabilities	1,510,437	1,579,365
Net Assets		
Unrestricted	3,435,007	3,807,386
Temporarily restricted	694,467	609,209
Permanently restricted	<u>1,350,948</u>	<u>1,453,871</u>
Total net assets	<u>5,480,422</u>	<u>5,870,466</u>
Total liabilities and net assets	<u>\$6,990,859</u>	<u>\$7,449,831</u>

Annual Operations

In fiscal year 2007-08, revenues supporting general operations were approximately \$2.6 billion of which 2.7% was for restricted purposes. Net tuition and fees contributed 18% of total operating revenues. State and federal appropriations accounted for 7.2% of unrestricted revenues. Investment earnings distributed contributed 10.6% of operations revenues. Expenses for operating activities approximated \$2.7 billion. The decrease in unrestricted net assets was approximately \$174 million. Permanently restricted net assets increased by approximately \$232 million, largely due to investment returns.

Following is a summary of revenues and other additions and expenses as of June 30, for the years 2004 through 2008 and is derived from the audited financial statements of the University. In fiscal year 2006-07, the University changed the presentation of the financial statements to be more consistent with industry norms and to provide better management information. Such changes had no impact on the University's change in net assets. The financial statements are displayed in the new format for fiscal years ended 2006, 2007 and 2008 and the previous format for fiscal years ended 2004 and 2005. The following summary should be read in conjunction with the financial statements and the notes for the year ended June 30, 2008 thereto included herein as Appendix B.

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

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

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

	<u>2004</u>	<u>2005</u>
Revenues and other additions		
Tuition and fees	\$ 532,645	\$ 559,426
Scholarship allowance	<u>(158,187)</u>	<u>(167,240)</u>
Net tuition and fees	374,458	392,186
State appropriations ⁽¹⁾	150,614	153,649
Federal appropriations	17,048	16,300
Federal grants and contracts	409,514	447,644
State and local grants and contracts	24,373	29,102
Private grants and contracts	21,398	32,397
Contributions	350,067	286,730
Interest and dividends	86,868	100,068
Net realized gain (loss) on investments	185,580	388,563
Net unrealized gain on investments	279,759	5,297
Medical Physicians' Organization	341,289	362,997
Enterprises and subsidiaries	149,251	152,771
Educational departments	60,700	65,038
Other sources	<u>59,025</u>	<u>113,550</u>
Total revenues and other additions	2,509,944	2,546,292
Expenses		
Salaries and wages	1,024,843	1,090,846
Employee benefits	237,238	257,830
Purchased services	115,830	115,910
Supplies and general	388,420	425,781
Utilities, rents, and taxes	99,134	102,623
Interest expense	21,247	24,138
Depreciation	136,414	137,159
Other	<u>9,334</u>	<u>1,961</u>
Total expenses	<u>2,032,460</u>	<u>2,156,248</u>
Change in net assets	477,484	390,044
Total net assets, beginning of year	<u>5,002,938</u>	<u>5,480,422</u>
Total net assets, end of year	<u>\$5,480,422</u>	<u>\$5,870,466</u>

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

In March 2009, the Board of Trustees approved expenditure reductions in fiscal year 2009 to fiscal year 2011, suspended the salary improvement program for fiscal year 2010, implemented two new voluntary retirement programs, reduced endowment payout by 15% effective July 1, 2009 with additional reductions planned in fiscal year 2011 and fiscal year 2012 and implemented a pause in the construction of capital projects other than those included in the 2009A Project.

Independent Auditors

The University's financial statements as of and for the fiscal year ended June 30, 2008, included herein as Appendix B, were audited by KPMG LLP, independent auditors, as indicated in their report thereon, which is included in Appendix B.

Organized Research

According to the most recently published National Science Foundation statistics (2006-2007), Cornell ranked thirteenth among American universities in terms of total organized research and development expenditures in sciences and engineering and eighteenth in federally financed expenditures. Organized research is defined as those research activities separately budgeted and accounted for, and supported by competitive grants and contracts and non-competitive state and federal appropriations or institutional funds. Among private institutions, Cornell ranked fifth in the nation in total and ninth in federal government supported research and development expenditures for sciences and engineering. Among institutions in New York State, Cornell was first in overall support of organized

research. During the academic year 2007-08, total organized research expenditures at Cornell were \$668 million compared to \$659 million in 2006-2007.

In 2007-08, sponsored research (i.e., research supported by competitive grants and contracts from the federal government, state and local governments and private sources) accounted for \$480 million of the total expenditures for organized research. Consistent with National Science Foundation reporting guidelines, the University expended \$378 million from the federal government in 2007-08 compared to \$389 million in 2006-07. Federal grants and contracts designated for sponsored research contributed the major portion (\$369 million in 2007-08 and \$383 million in 2006-07) of these funds, with the University receiving approximately \$300 million from the National Science Foundation and the Department of Health and Human Services. Inasmuch as federally sponsored research is obtained competitively, it may vary from year to year, and no assurance can be given that it will continue at the levels experienced in recent years.

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

**Federal Support of Organized Research
(In Thousands)**

<u>Fiscal Year</u>	<u>Expenditures</u>	<u>Percent of Total Sponsored Research Expenditures</u>
2003-04	\$356,059	80.7%
2004-05	380,975	81.2
2005-06	409,850	83.7
2006-07	388,786	79.8
2007-08	377,896	77.2

State Support for Contract Colleges

The Contract Colleges are partially supported by appropriations from the State of New York. Over the past three years (2005-06 through 2007-08), Cornell has experienced cumulative growth in State operating support of nearly 19%.

In fiscal year 2009, Cornell was advised that the base appropriation allocated to the University through SUNY will be reduced by \$6.3 million (net), a reduction that is \$5 million greater than planned, bringing the total base appropriation from New York State to approximately \$151.7 million. The Governor's proposed budget for fiscal year 2010 includes additional cuts to SUNY that, when combined with inflationary adjustments, are not expected to materially change the base appropriation to Cornell but will not be confirmed until the State budget is enacted.

Investments

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

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

The PBIF is maintained for funds that are expected to be expended within three years and for working capital. The PBIF is divided into two investment vehicles. The working capital portion is invested only in short-term, liquid fixed income instruments. Other PBIF funds are invested substantially similar to the LTIP. Assets in the PBIF are

invested in the same manner as those in the LTIP, with a payout managed by the University Budget Office as directed by the President.

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

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

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

The University's portfolio of investment assets as of June 30, 2008 is summarized in the following table:

**University Investments at Fair Value
(In Millions)**

<u>Type</u>	<u>Amount</u>	<u>Percentage</u>
Cash and cash equivalents	\$267.8	4%
Domestic equities	699.8	11%
Foreign equities	911.6	14%
Fixed income	898.5	14%
Absolute return	625.5	10%
Hedged equities	1,252.7	19%
Private equities	902.7	13%
Real assets	956.5	14%
<u>Other</u>	<u>34.2</u>	<u>1%</u>
Total	\$6,549.3*	100%

*The LTI represents 94% of the University portfolio of investments.

Since June 30, 2008, significant volatility and decline in world financial markets have impacted all major asset classes in which the LTI is invested. As of February 28, 2009, the estimated fair value of the LTI has declined by approximately 31% from June 30, 2008. This estimate is unaudited and does not reflect updated real estate and private equity valuations for which valuations are provided on a quarterly basis. Approximately 62.4% of the LTI is valued monthly with the remaining 37.6% valued as of September 30, 2008. The estimate is further subject to continuing effects of volatility, limited liquidity and pricing issues in certain markets. The University is taking into consideration decreased investment returns and instability of the financial markets when preparing and managing its budget.

At March 13, 2009 the percentage of the University's portfolio of investment assets invested in each investment type is summarized in the following table:

**University Investments at Fair Value
(By Percentage)**

<u>Type</u>	<u>Percentage</u>
Cash and cash equivalents	18%
Domestic equities	5%
Foreign equities	4%
Fixed income	11%
Absolute return	13%
Hedged equities	13%
Private equities	18%
Real assets	18%
<u>Other</u>	<u>0%</u>
Total	100%

Endowment and Similar Funds

As of June 30, 2008, Cornell's endowment and funds functioning as endowment, not including life income funds, had a fair value of approximately \$5.4 billion. Such amount included approximately \$1.7 billion of funds functioning as endowment on that date. Both the income and principal of funds functioning as endowment are expendable. As of June 30, 2008, approximately 65% of the University endowment was unrestricted, 3% temporarily restricted and 32% permanently restricted. The following is a five-year summary of the endowment and similar funds net asset balances for all divisions of the University. Living trust funds are excluded since the income from living trusts is payable to one or more beneficiaries during their lifetime, and is not available to Cornell. On the termination of life interests, the principal becomes available for University purposes, and may be restricted as to use by the donor.

**Fair Value of Endowment and Similar Funds
(In Millions)**

<u>June 30</u>	Permanently Restricted Endowment and Related Appreciation	Funds Functioning as Endowment	Funds Held in Trust	Total Endowment and Similar Funds
2004	\$2,222.3	\$944.8	\$147.1	\$3,314.2
2005	2,508.3	1,215.9	135.4	3,859.6
2006	2,858.3	1,357.9	169.0	4,385.2
2007	3,460.9	1,652.2	134.0	5,247.1
2008	3,535.2	1,712.8	137.5	5,385.5

Endowment and similar funds are invested as described under "Investments" above. See "Investments" above for a discussion of changes in fair value since June 30, 2008.

Gifts and Bequests

Cornell received approximately \$2.0 billion in gifts and bequests over the last five fiscal years ended June 30, 2008. In addition, in November 2006 Cornell launched a \$4 billion campaign to support student financial aid, faculty and programs and to developing and maintaining university facilities. As of March 16, 2009, the University raised approximately \$2.4 billion in cash and pledges toward the campaign goal. The tables below show gifts (excluding pledges and outside trusts) by type of donor as reported by the Cornell Alumni Affairs Office..

Gifts By Type Of Donor (In Millions)

<u>Donor</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>
Corporations	\$32.8	\$ 44.1	\$ 22.5	\$ 27.9	\$25.2
Foundations	45.6	40.3	54.2	69.4	42.1
Alumni	188.3	170.5	213.9	210.2	212.0
Friends/Other	<u>119.2</u>	<u>106.7</u>	<u>115.6</u>	<u>99.4</u>	<u>130.1</u>
TOTAL	<u>\$385.9</u>	<u>\$361.6</u>	<u>\$406.2</u>	<u>\$406.9</u>	<u>\$409.4</u>

Facilities

The recorded cost of Cornell's plant facilities (exclusive of accumulated depreciation) for June 30, 2004, through June 30, 2008, is as follows:

Plant Facilities June 30, (In Millions)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Land, Buildings & Equipment	\$1,953	\$2,087	\$2,197	\$2,616	\$2,902
Furniture, Equipment, Books & Collections	760	798	844	886	934
Construction in Progress	<u>198</u>	<u>273</u>	<u>435</u>	<u>352</u>	<u>408</u>
TOTAL	<u>\$2,911</u>	<u>\$3,158</u>	<u>\$3,476</u>	<u>\$3,854</u>	<u>\$4,244</u>

For fiscal year 2008, the University recognized \$174 million in depreciation expense, and the balance of accumulated depreciation was \$1.63 billion. The investment in plant cost, net of accumulated depreciation, was \$2.62 billion at June 30, 2008. The 2008 figures include land, buildings, and equipment of the Contract Colleges aggregating \$421 million, the acquisition cost of which was borne primarily by the State.

Cornell University carries blanket property insurance policies for all Cornell University buildings and properties (including all Endowed, State, and College facilities) providing replacement cost coverage with a \$1 million self-insured retention of loss for each occurrence and an overall limit in excess of \$1 billion.

Capital Plan

The University's five year capital plan approved in May 2008 projected capital expenditures for projects with a total cost of approximately \$2.785 billion. Funding for the projects is expected to come from a variety of sources, including fund raising, funds provided by New York State and additional borrowings. However, in light of the slowdown in the national and local economy the University implemented a pause in the construction of capital projects. The pause has sharply reduced the University's planned spending over the capital plan's five year period. Spending in the 2009 fiscal year is projected to be approximately \$431 million, a portion of which will be financed with proceeds from the Series 2009A Bonds. Spending in fiscal year 2010 is projected to be approximately \$275 million. University spending in the subsequent fiscal years will depend upon the future determinations by the University President to proceed with the construction of specific projects.

Indebtedness

As of June 30, 2008, the University had \$999.2 million of outstanding debt which included 25% fixed rate debt and 75% variable rate debt. Since June 30, 2008, the University has issued a net \$6.3 million in tax-exempt commercial paper (program authorized up to \$200 million) and issued a net increase of \$121.1 million in taxable commercial paper (program authorized up to \$200 million) for a total net increase in long-term debt of \$127.4 million as compared with the amount shown in the University's June 30, 2008 consolidated financial statements included in Appendix B to this Official Statement. The University also expects to issue an additional \$500 million of taxable fixed rate debt in April 2009 to enhance the University's liquidity.

Approximately \$330 million of the variable rate debt is hedged with interest rate swaps. The University has \$1.5 billion notional amount of executed swap agreements with various counterparties including Morgan Stanley Derivatives Products, Inc, Goldman Sachs Mitsui Marine Derivative Products, L.P., Merrill Lynch Capital Services, Inc., Bank of New York and JPMorgan Chase Bank, N.A., pursuant to which the University pays or will pay a fixed rate in exchange for receiving a floating rate. Forward starting swap agreements comprise \$975 million notional amount of the swaps and are intended to hedge the University's variable interest rate exposure on future variable rate bonds projected to be issued between 2010 and 2014. Under certain circumstances the University may be required to post collateral to secure its obligations under the interest rate exchange agreements. In addition, each agreement may be terminated following the occurrence of certain events, at which time the University may be required to make a termination payment to the swap counterparty. In accordance with generally accepted accounting principles, the University is required to record the market value of swaps. The market value of the swaps has changed from a \$34.5 million liability as of June 30, 2008 to \$232.6 million liability as of March 20, 2009. The swaps are valued on a daily basis and the market value will fluctuate based on interest rates.

The University has two working capital lines of credit up to \$100 million with JPMorgan Chase Bank, N.A. and Bank of America. The outstanding balances as of March 22, 2009 for the JPMorgan Chase Bank, N.A. line was \$55 million and \$100 million on the Bank of America line of credit.

Pension Plans

The University's employee pension plan coverage is provided by two basic types of plans: (1) based on a predetermined level of funding (defined contribution); and (2) based on a level of benefit to be provided (defined benefit). The primary plans for Endowed Ithaca and for exempt employees (those not subject to the overtime provisions of the Fair Labor Standards Act) at the Medical College are carried by the Teachers Insurance and Annuity Association and College Retirements Equities Fund, the Vanguard Group (Medical College only), and Fidelity Investments (Endowed Ithaca only), all of which permit employee contributions. Total pension costs of the Endowed Ithaca and the Medical College plans for the years ended June 30, 2008 and June 30, 2007, amounted to \$76.9 million and \$72.8 million, respectively. The value of the University's pension assets have declined since June 30, 2008. Whether or not the University will be required to make a contribution to the pension plan in fiscal year 2009 or any subsequent fiscal year and the amount of any such contribution will depend on the value of the assets of the pension fund on July 1, 2009.

In accordance with ERISA requirements, for the defined benefit plans the University must annually fund with an independent trustee an actuarially determined amount representing normal costs plus amortization of prior service costs over a forty-year period that began on July 1, 1976. Employees of the Contract Colleges are covered under the New York State pension plan. Contributions to the State retirement system and other fringe benefit costs are paid directly by the State. The amount of the direct payments applicable to the University as revenue and expenditures is not currently determinable and is not included in the consolidated financial statements. The University reimburses the State for fringe benefit costs on certain salaries, principally those associated with externally sponsored programs. The amount reimbursed to the State during the years ended June 30, 2008 and June 30, 2007, was \$18.5 million and \$17.5 million, respectively, which are included in the expenses of general operations.

LITIGATION

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

PART 7 - THE AUTHORITY

Background, Purposes and Powers

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

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

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

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

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

At March 31, 2009, the Authority had approximately \$37.9 billion aggregate principal amount of bonds and notes outstanding, excluding indebtedness of the Agency assumed by the Authority on September 1, 1995 pursuant to the Consolidation Act. The debt service on each such issue of the Authority’s bonds and notes is paid from

moneys received by the Authority or the trustee from or on behalf of the entity having facilities financed with the proceeds from such issue or from borrowers in connection with its student loan program.

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

The total amounts of the Authority bonds and notes (excluding debt of the Agency assumed by the Authority on September 1, 1995 pursuant to the Consolidation Act) outstanding at March 31, 2009 were as follows:

	Bonds Issued	Bonds Outstanding	Notes Outstanding	Bonds and Notes Outstanding
Public Programs				
State University of New York				
Dormitory Facilities.....	\$ 2,250,196,000	\$ 974,760,000	\$ 0	\$ 974,760,000
State University of New York Educational and Athletic Facilities.....	12,287,697,999	5,284,232,634	0	5,284,232,634
Upstate Community Colleges of the State University of New York	1,431,000,000	604,840,000	0	604,840,000
Senior Colleges of the City University of New York	9,663,821,762	2,934,864,213	0	2,934,864,213
Community Colleges of the City University of New York	2,364,178,350	508,140,787	0	508,140,787
BOCES and School Districts	2,000,366,208	1,488,605,000	0	1,488,605,000
Judicial Facilities	2,161,277,717	731,557,717	0	731,557,717
New York State Departments of Health and Education and Other.....	5,198,240,000	3,551,125,000	0	3,551,125,000
Mental Health Services Facilities	6,811,595,000	3,676,845,000	0	3,676,845,000
New York State Taxable Pension Bonds	773,475,000	0	0	0
Municipal Health Facilities Improvement Program	985,555,000	782,980,000	0	782,980,000
Totals Public Programs.....	<u>\$ 45,927,403,036</u>	<u>\$ 20,537,950,351</u>	<u>\$ 0</u>	<u>\$ 20,537,950,351</u>
Non-Public Programs				
Independent Colleges, Universities and Other Institutions	\$ 16,855,471,020	\$ 8,270,366,644	\$ 191,005,000	\$ 8,461,371,644
Voluntary Non-Profit Hospitals.....	13,459,114,309	7,866,030,000	0	7,866,030,000
Facilities for the Aged	1,996,020,000	1,002,860,000	0	1,002,860,000
Supplemental Higher Education Loan Financing Program.....	95,000,000	0	0	0
Totals Non-Public Programs.....	<u>\$ 32,405,605,329</u>	<u>\$ 17,139,256,644</u>	<u>\$ 191,005,000</u>	<u>\$ 17,330,261,644</u>
Grand Totals Bonds and Notes	<u>\$ 78,333,008,365</u>	<u>\$ 37,677,206,995</u>	<u>\$ 191,005,000</u>	<u>\$ 37,868,211,995</u>

Outstanding Indebtedness of the Agency Assumed by the Authority

At March 31, 2009, the Agency had approximately \$370.4 million aggregate principal amount of bonds outstanding, the obligations as to all of which have been assumed by the Authority. The debt service on each such issue of bonds is paid from moneys received by the Authority (as successor to the Agency) or the trustee from or on behalf of the entity having facilities financed with the proceeds from such issue.

The total amounts of the Agency’s bonds (which indebtedness was assumed by the Authority on September 1, 1995) outstanding at March 31, 2009 were as follows:

<u>Public Programs</u>	<u>Bonds Issued</u>	<u>Bonds Outstanding</u>
Mental Health Services Improvement Facilities.....	\$ 3,817,230,725	\$ 0
<u>Non-Public Programs</u>	<u>Bonds Issued</u>	<u>Bonds Outstanding</u>
Hospital and Nursing Home Project Bond Program.....	\$ 226,230,000	\$ 3,255,000
Insured Mortgage Programs	6,625,079,927	359,484,720
Revenue Bonds, Secured Loan and Other Programs	<u>2,414,240,000</u>	<u>7,670,000</u>
Total Non-Public Programs.....	<u>\$ 9,265,549,927</u>	<u>\$ 370,409,720</u>
Total MCFFA Outstanding Debt.....	<u>\$ 13,082,780,652</u>	<u>\$ 370,409,720</u>

Governance

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

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

The current members of the Authority are as follows:

GAIL H. GORDON, Esq., *Chair*, Slingerlands.

Gail H. Gordon was appointed as a Member of the Authority by the Governor on May 10, 2004. Ms. Gordon served as Deputy Commissioner and General Counsel for the Office of Children and Family Services from September 15, 1997 to December 31, 2006. She previously was of counsel to the law firm of Helm, Shapiro, Anito & McCale, P.C., in Albany, New York, where she was engaged in the private practice of law. From 1987 to 1993, Ms. Gordon served as Counsel to the Comptroller of the State of New York where she directed a legal staff of approximately 40 attorneys, was responsible for providing legal and policy advice to the State Comptroller and his deputies in all areas of the State Comptroller’s responsibilities, including the supervision of accounts of public authorities and in the administration, as sole trustee, of the New York State Employees Retirement System and the Policemen’s and Firemen’s Retirement System. She served as Deputy Counsel to the Comptroller of the State of New York from 1983 to 1987. From 1974 to 1983, Ms. Gordon was an attorney with the law firm of Hinman, Howard & Kattell, Binghamton, New York, where she concentrated in areas of real estate, administrative and municipal law. Ms. Gordon holds a Bachelor of Arts degree from Smith College and a Juris Doctor degree from Cornell University School of Law. Ms. Gordon’s term expired on March 31, 2007 and by law she continues to serve until a successor shall be chosen and qualified.

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

John B. Johnson, Jr. was appointed as a Member of the Authority by the Governor on April 26, 2004. Mr. Johnson is Chairman of the Board and Chief Executive Officer of the Johnson Newspaper Corporation, which publishes the Watertown Daily Times, Batavia Daily News, Malone Telegram, Catskill Daily Mail, Hudson Register Star, Ogdensburg Journal, Massena-Potsdam Courier Observer, seven weekly newspapers and three shopping newspapers. He is director of the New York Newspapers Foundation, a member of the Development Authority of the North Country and the Fort Drum Regional Liaison Committee, a trustee of Clarkson University and president of the Bugbee Housing Development Corporation. Mr. Johnson has been a member of the American Society of Newspaper Editors since 1978, and was a Pulitzer Prize juror in 1978, 1979, 2001 and 2002. He holds a Bachelor’s degree from Vanderbilt University, and Master’s degrees in Journalism and Business Administration

from the Columbia University Graduate School of Journalism and Business. Mr. Johnson was awarded an Honorary Doctor of Science degree from Clarkson University. Mr. Johnson's term expires on March 31, 2010.

JACQUES JIHA, Ph.D., Woodbury.

Jacques Jiha was appointed as a Member of the Authority by the Governor on December 15, 2008. Mr. Jiha is an Executive Vice President and the Chief Financial Officer of Earl G. Graves, Ltd., a multi-media company that includes *Black Enterprise* magazine. He is also a member of the Investment Advisory Committee of the New York Common Retirement Fund. Mr. Jiha has previously served as Deputy Comptroller for Pension Investment and Public Finance in the Office of the New York State Comptroller and as Co-Executive Director of the New York Local Government Assistance Corporation (LGAC). Prior thereto, Mr. Jiha was Nassau County Deputy Comptroller for Audits and Finances. He also worked for the New York City Office of the Comptroller in increasingly responsible positions: first as Chief Economist and later as Deputy Comptroller for Budget. Mr. Jiha has served as Executive Director of the New York State Legislative Tax Study Commission and as Principal Economist for the New York State Assembly Committee on Ways and Means. He holds a Ph.D. and a Master's degree in Economics from the New School University and a Bachelor's degree in Economics from Fordham University. His current term expires on March 31, 2010.

BRIAN RUDER, Scarsdale.

Mr. Ruder was appointed as a Member of the Authority on June 23, 2006. He is Chief Executive Officer of Skylight Partners, a strategic marketing and business development consulting group that he founded in 2001. Prior to Skylight Partners, Mr. Ruder served for four years as Executive Vice President of Global Marketing for Citigroup. He spent 16 years at the H.J. Heinz Co. in progressively responsible positions, including President of Heinz USA, President of Weight Watchers Food Company and corporate Vice President of Worldwide Infant Feeding. He also served as Director of Marketing, New Products and Sales for Pepsi USA in the mid-1980s. Mr. Ruder is a member of the board of the New York State Foundation for Science, Technology and Academic Research (NYSTAR), and also serves as chair of the board of the Adirondack Council, board member and secretary of the New York Metro Chapter of the World Presidents' Organization, and an advisory board member of PNC Private Client Advisors. Mr. Ruder earned a Bachelor of Arts degree in American History in 1976 from Washington University in St. Louis, Mo., and a Master of Business Administration degree in Marketing in 1978 from the Tuck School at Dartmouth College. His current term expires on March 31, 2009.

ANTHONY B. MARTINO, CPA, Buffalo.

Mr. Martino was appointed as a Member of the Authority by the Governor on April 26, 2004. A certified public accountant with more than 37 years of experience, Mr. Martino is a retired partner of the Buffalo CPA firm Lumsden & McCormick, LLP. He began his career at Price Waterhouse where he worked in the firm's Buffalo and Washington, DC, offices. Mr. Martino is a member of the American Institute of CPAs and the New York State Society of CPAs. Long involved in community organizations, he serves on the boards of the Buffalo Niagara Medical Campus as Vice Chairman, Mount Calvary Cemetery as Chair of the Investment Committee, Cradle Beach Camp of which he is a former Chair, the Kelly for Kids Foundation and Key Bank. Mr. Martino received a Bachelor of Science degree in accounting from the University at Buffalo. Mr. Martino's current term expires on August 31, 2010.

SANDRA M. SHAPARD, Delmar.

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

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

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

RICHARD P. MILLS, *Commissioner of Education of the State of New York, Albany; ex-officio.*

Dr. Mills became Commissioner of Education on September 12, 1995. Prior to his appointment, Dr. Mills served as Commissioner of Education for the State of Vermont since 1988. From 1984 to 1988, Dr. Mills was Special Assistant to Governor Thomas H. Kean of New Jersey. Prior to 1984, Dr. Mills held a number of positions within the New Jersey Department of Education. Dr. Mills' career in education includes teaching and administrative experience at the secondary and postsecondary education levels. Dr. Mills holds a Bachelor of Arts degree from Middlebury College and a Master of Arts, a Master of Business Administration and a Doctor of Education degree from Columbia University.

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

Ms. Anglin was appointed Budget Director on January 1, 2008. As Budget Director, she 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. Ms. Anglin previously served as First Deputy Budget Director from January 2007 to December 2007. She was appointed Deputy Comptroller of the Division of Retirement Services in January 2003 and was responsible for overseeing the administration and managing the operations of the New York State and Local Retirement System. From 1996-2003, Ms. Anglin worked in the New York State Assembly where she served as Director of Budget Studies for the Assembly Ways and Means Committee and as First Deputy Fiscal Director for the Committee. Ms. Anglin has also held the position of Econometrician in the Department of Taxation and Finance from 1992-1996 and began her career as an Economist for the Department of Environmental Conservation. Ms. Anglin holds a Bachelor of Arts degree and a Masters degree in Economics from the State University of New York at Albany.

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

Richard F. Daines, M.D., became Commissioner of Health on March 21, 2007. Prior to his appointment he served as President and CEO at St. Luke's-Roosevelt Hospital Center since 2002. Before joining St. Luke's-Roosevelt Hospital Center as Medical Director in 2000, Dr. Daines served as Senior Vice President for Professional Affairs of St. Barnabas Hospital in the Bronx, New York since 1994 and as Medical Director from 1987 to 1999. Dr. Daines received a Bachelor of History degree from Utah State University in 1974 and served as a missionary for the Church of Jesus Christ of Latter-day Saints in Bolivia, 1970-1972. He received his medical degree from Cornell University Medical College in 1978. He served a residency in internal medicine at New York Hospital and is Board Certified in Internal Medicine and Critical Care Medicine.

The principal staff of the Authority is as follows:

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

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

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

JOHN G. PASICZNYK is the Chief Financial Officer of the Authority. Mr. Pasicznyk is responsible for investment management and accounting, as well as the development of the financial policies for the Authority. Before joining the Authority in 1985, Mr. Pasicznyk worked in audit positions at KPMG Peat Marwick and Deloitte & Touche. He holds a Bachelor's degree from Syracuse University and a Master of Business Administration degree from the Fuqua School of Business at Duke University.

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

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

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

Claims and Litigation

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

Other Matters

New York State Public Authorities Control Board

The New York State Public Authorities Control Board (the "PACB") has authority to approve the financing and construction of any new or reactivated projects proposed by the Authority and certain other public authorities of the State. The PACB approves the proposed new projects only upon its determination that there are commitments of funds sufficient to finance the acquisition and construction of the projects. The Authority has obtained the approval of the PACB for the issuance of the Series 2009A Bonds.

Legislation

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

Environmental Quality Review

The Authority complies with the New York State Environmental Quality Review Act and with the New York State Historic Preservation Act of 1980, and the respective regulations promulgated thereunder respecting the 2009A Project to the extent such acts and regulations are applicable.

Independent Auditors

The accounting firm of KPMG LLP audited the financial statements of the Authority for the fiscal year ended March 31, 2008. Copies of the most recent audited financial statements are available upon request at the offices of the Authority.

PART 8 – LEGALITY OF THE SERIES 2009A BONDS FOR INVESTMENT AND DEPOSIT

Under New York State law, the Series 2009A 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 2009A 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 2009A Bonds are negotiable instruments as provided in the Act, subject to the provisions for registration and transfer contained in the Resolution and in the Series 2009A Bonds.

PART 10 – TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2009A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Series 2009A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. Bond Counsel expresses no opinion as

to whether some or all interest on the Series 2009A Bonds is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is also of the opinion that interest on the Series 2009A Bonds is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix E hereto.

To the extent the issue price of any maturity of the Series 2009A Bonds is less than the amount to be paid at maturity of such Series 2009A Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2009A Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Series 2009A Bonds which is excluded from gross income for federal income tax purposes and is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). For this purpose, the issue price of a particular maturity of the Series 2009A Bonds is the first price at which a substantial amount of such maturity of the Series 2009A Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2009A Bonds accrues daily over the term to maturity of such Series 2009A Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2009A Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2009A Bonds. Beneficial Owners of the Series 2009A Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2009A Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series 2009A Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2009A Bonds is sold to the public.

Series 2009A Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2009A Bonds. The Authority and the University have made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2009A Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2009A Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2009A Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel’s attention after the date of issuance of the Series 2009A Bonds may adversely affect the value of, or the tax status of interest on, the Series 2009A Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not be relied upon in connection with any such actions, events or matters.

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

Although Bond Counsel is of the opinion that interest on the Series 2009A Bonds is excluded from gross income for federal income tax purposes and is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York), the ownership or disposition of, or the accrual or receipt of interest on, the Series 2009A Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2009A Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislation or clarification of the Code may also affect the market price for, or marketability of, the Series 2009A Bonds. Prospective purchasers of the Series 2009A Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2009A Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority or the University, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority and the University have covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series 2009A Bonds ends with the issuance of the Series 2009A Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority, the University or the Beneficial Owners regarding the tax-exempt status of the Series 2009A Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority, the University and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority or the University legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2009A Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2009A Bonds, and may cause the Authority, the University or the Beneficial Owners to incur significant expense.

PART 11 – STATE NOT LIABLE ON THE SERIES 2009A BONDS

The Act provides that notes and bonds of the Authority are not a debt of the State, that the State is not liable on them and that such notes and bonds are not payable out of any funds other than those of the Authority. The Resolution specifically provides that the Series 2009A Bonds are not a debt of the State and that the State is not liable on the Series 2009A Bonds.

PART 12 – COVENANT BY THE STATE

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

PART 13 – LEGAL MATTERS

Certain legal matters incidental to the authorization and issuance of the Series 2009A Bonds by the Authority are subject to the approval of Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel, whose approving opinion will be delivered with the Series 2009A Bonds. The proposed form of Bond Counsel's opinion is set forth in Appendix E hereto.

Certain legal matters will be passed upon for the University by its University Counsel and Secretary of the Corporation, James Mingle, Esq., Ithaca, New York. Certain legal matters will be passed upon for the Underwriters by their counsel, Nixon Peabody LLP, New York, New York.

There is not now pending any litigation restraining or enjoining the issuance or delivery of the Series 2009A Bonds or questioning or affecting the validity of the Series 2009A Bonds or the proceedings and authority under which they are to be issued. There is no litigation pending which in any manner questions the right of the Authority to finance the 2009A Project in accordance with the provisions of the Act, the Resolution and the Loan Agreement.

PART 14 - UNDERWRITING

J.P. Morgan Securities Inc., as representative of the Underwriters, has agreed, subject to certain conditions, to purchase the Series 2009A Bonds from the Authority at an aggregate purchase price of \$310,411,343.20 and to make a public offering of the Series 2009A Bonds at prices that are not in excess of the public offering price or prices stated on the inside cover page of this Official Statement. The Underwriters will be obligated to purchase all such Series 2009A Bonds if any are purchased.

The Series 2009A Bonds may be offered and sold to certain dealers (including the Underwriters) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriters.

J.P. Morgan Securities Inc., one of the Underwriters of the Series 2009A Bonds, has advised the Authority that J.P. Morgan Securities Inc. has entered into an agreement (the "Distribution Agreement") with UBS Financial Services Inc. for the retail distribution of certain municipal securities offerings at the original issue prices. Pursuant to the Distribution Agreement (if applicable for this transaction), J.P. Morgan Securities Inc. will share a portion of its underwriting compensation with respect to the Series 2009A Bonds with UBS Financial Services Inc.

PART 15 - CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as amended ("Rule 15c2-12"), the University has undertaken in a written agreement (the "Continuing Disclosure Agreement") for the benefit of the Bondholders to provide to Digital Assurance Certification LLC ("DAC"), on behalf of the Authority as the Authority's disclosure dissemination agent, on or before 120 days after the end of each fiscal year, commencing with the fiscal year of the University ending June 30, 2009, for filing by DAC with each Nationally Recognized Municipal Securities Information Repository designated by the Securities and Exchange Commission in accordance with Rule 15c2-12 (each a "Repository") on an annual basis, operating data and financial information of the type hereinafter described which is included in "PART 6 — THE UNIVERSITY" of this Official Statement (the "Annual Information"), together with the University's annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America and audited by an independent firm of certified public accountants in accordance with auditing standards generally accepted in the United States of America; provided, however, that if audited financial statements are not then available, unaudited financial statements shall be delivered to DAC for delivery to each Repository when they become available.

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

The University also will undertake in the Continuing Disclosure Agreement to provide to the Authority, the Trustee and DAC, in a timely manner, the notices required to be provided by Rule 15c2-12 and described below (the "Notices"). In addition, the Authority has undertaken, for the benefit of the Bondholders, to provide such Notices to DAC, should the Authority have actual knowledge of the occurrence of a Notice Event (as hereinafter defined). Upon receipt of Notices from the University, the Trustee or the Authority, DAC will file the Notices with each such Repository or with the Municipal Securities Rulemaking Board (the "MSRB") in a timely manner. With respect to the Series 2009A Bonds, DAC has only the duties specifically set forth in the Continuing Disclosure Agreement. DAC's obligation to deliver the information at the times and with the contents described in the Continuing Disclosure Agreement is limited to the extent the University has provided such information to DAC as required by the Continuing Disclosure Agreement. DAC has no duty with respect to the content of any disclosure or Notices made pursuant to the terms of the Continuing Disclosure Agreement and DAC has no duty or obligation to review or verify any information contained in the Annual Information, Audited Financial Statements, Notices or any other information, disclosures or notices provided to it by the University, the Trustee or the Authority and shall not be deemed to be acting in any fiduciary capacity for the Authority, the University, the Holders of the Series 2009A Bonds or any other party. DAC has no responsibility for the failure of the Authority to provide to DAC a Notice required by the Continuing Disclosure Agreement or duty to determine the materiality thereof. DAC shall have no duty to determine or liability for failing to determine whether the University, the Trustee or the Authority has complied with the Continuing Disclosure Agreement and DAC may conclusively rely upon certifications of the University and the Authority with respect to their respective obligations under the Continuing Disclosure Agreement. In the event the obligations of DAC as the Authority's disclosure dissemination agent terminate, the Authority will either appoint a successor disclosure dissemination agent or, alternatively, assume all responsibilities of the disclosure dissemination agent for the benefit of the Bondholders.

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

The Notices include notices of any of the following events (the "Notice Events") with respect to the Series 2009A Bonds, if material: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the Series 2009A Bonds; (7) modifications to the rights of holders of the Series 2009A Bonds; (8) bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Series 2009A Bonds; (11) rating changes; and (12) failure to provide annual financial information as required. In addition, DAC will undertake to provide to each Repository or the MSRB, in a timely manner, notice of any failure by the University to provide the Annual Information and annual financial statements by the date required in the University's undertaking described above.

The Securities and Exchange Commission recently adopted certain amendments to Rule 15c2-12, which amendments become effective July 1, 2009. Pursuant to such amendments, it is expected that the Annual Information, annual financial statements and material event notices will be required to be filed with the MSRB and its Electronic Municipal Market Access system for municipal securities disclosures instead of with each Repository.

The sole and exclusive remedy for breach or default under the Continuing Disclosure Agreement described above is an action to compel specific performance of the undertaking of DAC, the University, the Trustee and/or the Authority, and no person, including any Holder of the Series 2009A Bonds, may recover monetary damages

thereunder under any circumstances. The Authority or the University may be compelled to comply with their respective obligations under the Continuing Disclosure Agreement (i) in the case of enforcement of their obligations to provide information required thereunder, by any Holder of Outstanding Series 2009A Bonds or by the Trustee on behalf of the Holders of Outstanding Series 2009A Bonds, or (ii) in the case of challenges to the adequacy of the information provided, by the Trustee on behalf of the Holders of the Series 2009A Bonds; provided, however, that the Trustee is not required to take any enforcement action except at the direction of the Holders of not less than 25% in aggregate principal amount of Series 2009A Bonds at the time Outstanding. A breach or default under the Continuing Disclosure Agreement shall not constitute an Event of Default under the Resolution, the Series 2009A Resolutions or the Loan Agreement. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the Continuing Disclosure Agreement, insofar as the provision of Rule 15c2-12 no longer in effect required the providing of such information, shall no longer be required to be provided.

The foregoing undertaking is intended to set forth a general description of the type of financial information and operating data that will be provided; the description is not intended to state more than general categories of financial information and operating data; and where an undertaking calls for information that no longer can be generated or is no longer relevant because the operations to which it related have been materially changed or discontinued, a statement to that effect will be provided. The Continuing Disclosure Agreement, however, may be amended or modified without consent of the Holders of the Series 2009A 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 2009A Bonds will be on file at the principal office of the Authority.

PART 16 — RATINGS

Moody's Investors Service ("Moody's") has assigned a rating of "Aa1" to the Series 2009A Bonds. Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc. ("Standard & Poor's") has assigned a rating of "AA" to the Series 2009A Bonds. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agencies at the following addresses: Standard & Poor's, 55 Water Street, New York, New York 10041; and Moody's, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007. There is no assurance that such ratings will prevail for any given period of time or that they will not be revised downward or withdrawn entirely by any or all of such rating agencies if, in the judgment of any or all of them, circumstances so warrant. Any such downward revision or withdrawal of such rating or ratings may have an adverse effect on the market price of the Series 2009A Bonds.

PART 17 - MISCELLANEOUS

References in this Official Statement to the Act, the Resolution, the Series 2009A Resolution, the Series 2009A Bond Series Certificate and the Loan Agreement do not purport to be complete. Refer to the Act, the Resolution, the Series 2009A Resolution, the Series 2009A Bond Series Certificate and the Loan Agreement for full and complete details of their provisions. Copies of the Resolution, the Series 2009A Resolutions, the Series 2009A Bond Series Certificate and the Loan Agreement are on file with the Authority and the Trustee.

The agreements of the Authority with Holders of the Series 2009A Bonds are fully set forth in the Resolution. Neither any advertisement of the Series 2009A Bonds nor this Official Statement is to be construed as a contract with purchasers of the Series 2009A Bonds.

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

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

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

"Appendix A - 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 Opinions

of Bond Counsel” have been prepared by Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel.

The Financial Statements of the University as of and for the year ended June 30, 2008, included in Appendix B have been audited by KPMG LLP, independent accountants, as stated in their report appearing herein.

The University has reviewed the parts of this Official Statement describing the University, the 2009A Project, the Estimated Sources and Uses of Funds and Appendix B. The University shall certify as of the dates of sale and delivery of the Series 2009A Bonds that such parts do not contain any untrue statement of a material fact and do not omit to state any material fact necessary to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading.

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

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

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

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

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DEFINITIONS

Appendix A

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DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

“*Available Assets*” means total assets of the University less all permanently restricted net assets of the University all as shown on the financial statements of the University determined in accordance with generally accepted accounting principles applied on a consistent basis;

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

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

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

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

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

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

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

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

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

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

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

“*Contract Documents*” means any general contract or agreement for the construction of a Project, notice to bidders, information for bidders, form of bid, general conditions, supplemental general conditions, general

requirements, supplemental general requirements, bonds, plans and specifications, addenda, change orders, and any other documents entered into or prepared by or on behalf of the University relating to the construction of a Project, and any amendments to the foregoing;

“Cost or Costs of Issuance” means the items of expense incurred in connection with the preparation, authorization, sale and issuance of Bonds and the preparation and execution of the Loan Agreement, which items of expense shall include, but not be limited to, document printing and reproduction costs, filing and recording fees, costs of credit ratings, initial fees and charges of the Trustee, legal fees and charges, professional consultants’ fees, fees and charges for execution, transportation and safekeeping of Bonds, premiums, fees and charges for insurance on Bonds, commitment fees or similar charges relating to a Credit Facility or a Liquidity Facility, costs and expenses of refunding Bonds or other bonds or notes of the Authority, costs and expenses incurred pursuant to a Remarketing Agreement, and other costs, charges and fees, including the Authority Fee, in connection with the foregoing;

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

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

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

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

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

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

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

“Exempt Obligation” means an obligation of any state or territory of the United States of America, any political subdivision of any state or territory of the United States of America, or any agency, authority, public benefit corporation or instrumentality of such state, territory or political subdivision, the interest on which is (i) excludable from gross income under Section 103 of the Code, (ii) not an item of tax preference within the meaning of Section 57(a)(5) of the Code, and which, at the time an investment therein is made or such obligation is deposited in any fund or account under the Resolution, is rated, without regard to qualification of such rating by symbols such as “+” or “-” and numerical notation, in the highest rating category by each Rating Agency, or, if such obligation is not rated by a Rating Agency, has been assigned a comparable rating by another nationally recognized rating service;

“General Liabilities” means total liabilities all as shown on the financial statements of the University determined in accordance with generally accepted accounting principles applied on a consistent basis;

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

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

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

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

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

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

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

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

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

“*Maximum Interest Rate*” means, with respect to any particular Variable Interest Rate Bond, a numerical rate of interest, which shall be set forth in the Series Resolution authorizing such Bond or a Bond Series Certificate, that shall be the maximum rate at which such Bond may bear interest at any time;

“*Minimum Interest Rate*” means, with respect to any particular Variable Interest Rate Bond, a numerical rate of interest, if any, set forth in the Series Resolution authorizing such Bond or a Bond Series Certificate, that shall be the minimum rate at which such Bond may bear interest at any time;

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

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

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

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

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

“*Project*” means a “dormitory” as defined in the Act, which may include more than one part, financed in whole or in part from the proceeds of the sale of Bonds, as more particularly described and designated in the Resolution or any Series Resolution;

“*Qualified Financial Institution*” means (i) a securities dealer, the liquidation of which is subject to the Securities Investors Protection Corporation or other similar corporation, (ii) a bank, a trust company, a national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, an insurance company or association chartered or organized under the laws of any state of the United States of America, (iii) a corporation affiliated with or which is a subsidiary of any entity described in (ii) above or which is affiliated with or a subsidiary of a corporation which controls or wholly owns any such entity or (iv) the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, or any other federal agency or instrumentality approved by the Authority; provided, however, that in the case of any entity described in (ii) or (iii) above, the unsecured or uncollateralized long-term debt obligations of which, or obligations secured or supported by a letter of credit, contract, agreement or surety bond issued by any such organization, at the time an Investment Agreement is entered into by the Authority are rated, without regard to qualification of such rating by symbols such as “+” or “-” or numerical notation, “A” or better by each Rating Service, or, if such obligations are not rated by a Rating Service, have been assigned a comparable rating by another nationally recognized rating service; provided, however, in no event shall such obligations be rated lower than the lowest rating assigned by a Rating Service to any Outstanding Bonds;

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

and (iii) which has been designated in writing to the Trustee by an Authorized Officer as a Qualified Hedge with respect to such Bonds;

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

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

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

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

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

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

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

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

“*S&P*” means Standard & Poor’s Corporation, a corporation organized and existing under the laws of the State of New York, and its successors and assigns;

“*Securities*” means (i) moneys, (ii) Government Obligations, (iii) Exempt Obligations, (iv) any bond, debenture, note, preferred stock or other similar obligation of any corporation incorporated in the United States, which security, at the time an investment therein is made or such security is deposited in any fund or account hereunder, is rated, without regard to qualification of such rating by symbols such as “+” or “-” or numerical notation, not less than the second highest rating category by each Rating Agency or is rated with a comparable rating by any other nationally recognized rating service acceptable to an Authorized Officer of the Authority and (v) common stock of any corporation incorporated in the United States of America whose senior debt, if any, at the time an investment in its stock is made or its stock is deposited in any fund or account established under the Resolution, is rated, without regard to qualification of such rating by symbols such as “+” or “-” or numerical notation, not less than the second highest rating category by each Rating Agency or is rated with a comparable rating by any other nationally recognized rating service acceptable to an Authorized Officer of the Authority;

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

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

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

“*Short-Term Debt*” means Debt of the University, other than Debt to the Authority, (i) which Debt is payable upon demand, (ii) twenty percent (20%) or more of the original principal amount of which Debt is payable in any Bond Year prior to the Bond Year during which Bonds are no longer Outstanding or (iii) the principal amount of which is payable prior to maturity at the option of the holder thereof (other than upon acceleration upon an event of default) prior to the Bond Year during which Bonds are no longer Outstanding, including any note, bond, debenture or other evidence of indebtedness of the University which may be tendered to the University at the option of the holder thereof for purchase, payment or redemption prior to maturity; provided that such term shall not include any Debt twenty percent (20%) or more of the original principal amount of which is payable during any Bond Year if (x) such Debt was incurred on the same date as other Debt of the University is incurred, (y) such Debt and such other Debt were incurred pursuant to a common plan of financing and (z) less than twenty percent (20%) of the aggregate original principal amount of such Debt and such other Debt is payable in each Bond Year prior to the Bond Year during which Bonds are no longer Outstanding; provided further that such term shall not include Debt less than twenty percent (20%) of the original principal amount of which is payable during each of the current and immediately succeeding two (2) Bond Years and Debt which is not payable at the option of the holder thereof during the current or either of the immediately succeeding two(2) Bond Years;

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

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

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

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

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

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

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

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

“*Variable Interest Rate*” means a variable interest rate or rates to be borne by a Series of Bonds or any one or more maturities within a Series of Bonds, the method of computing such variable interest rate is specified in the

Series Resolution authorizing such Bonds or a Bond Series Certificate and shall be based on (i) a percentage or percentages or other function of an objectively determinable interest rate or rates (e.g., a prime lending rate) or a function of such objectively determinable interest rate or rates which may be in effect from time to time or at a particular time or times; provided that such variable interest rate shall be subject to a Maximum Interest Rate and may be subject to a Minimum Interest Rate and that there may be an initial rate specified, in each case as provided in such Series Resolution or a Bond Series Certificate or (ii) a stated interest rate that may be changed from time to time as provided in the Series Resolution authorizing such Bonds or a Bond Series Certificate; and provided that such interest rate shall be subject to a Maximum Interest Rate; and provided, further, that such Series Resolution or Bond Series Certificate shall also specify either (i) the particular period or periods of time or manner of determining such period or periods of time for which each value of such variable interest rate shall remain in effect or (ii) the time or times upon which any change in such variable interest rate shall become effective;

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

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

Independent Auditors' Report

The Board of Trustees
of Cornell University:

We have audited the accompanying consolidated statement of financial position of Cornell University as of June 30, 2008, and the related consolidated statements of activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the University's 2007 consolidated financial statements and, in our report dated September 20, 2007, we expressed an unqualified opinion on those consolidated financial statements. Our opinion on the University's 2007 consolidated financial statements included an explanatory paragraph regarding the University's adoption of the provisions of Financial Accounting Standards Board Statement No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Benefit Plans*.

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 consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cornell University as of June 30, 2008, and the changes in its net assets and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

Albany, New York
September 26, 2008

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2008 (in thousands)

(WITH COMPARATIVE INFORMATION AS OF JUNE 30, 2007)

	2008	2007
Assets		
1 Cash and cash equivalents	\$ 41,279	\$ 27,569
2 Collateral for securities loaned	215,854	346,804
3 Accounts receivable, net (note 2-A)	276,891	247,965
4 Contributions receivable, net (note 2-B)	666,817	495,910
5 Inventories and prepaid expenses	62,829	75,176
6 Student loans receivable, net (note 2-C)	72,284	64,931
7 Investments (note 3)	6,549,288	6,369,225
8 Land, buildings, and equipment, net (note 4)	2,616,230	2,348,223
9 Funds held in trust by others	105,904	103,550
10 Total assets	<u>\$ 10,607,376</u>	<u>\$ 10,079,353</u>
Liabilities		
11 Accounts payable and accrued expenses	\$ 306,654	\$ 227,321
12 Payable under securities loan agreements	215,854	346,804
13 Deferred revenue and other liabilities (note 7)	299,283	138,263
14 Obligations under split interest agreements	128,540	125,131
15 Deferred benefits (note 5)	425,038	374,557
16 Funds held in trust for others (note 6)	147,036	184,830
17 Bonds and notes payable (note 7)	999,170	800,107
18 Government advances for student loans	47,146	43,875
19 Total liabilities	<u>2,568,721</u>	<u>2,240,888</u>
Net assets (note 10)		
20 Unrestricted	5,129,765	5,303,889
21 Temporarily restricted	919,960	777,922
22 Permanently restricted	1,988,930	1,756,654
23 Total net assets	<u>8,038,655</u>	<u>7,838,465</u>
24 Total liabilities and net assets	<u>\$ 10,607,376</u>	<u>\$ 10,079,353</u>

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

CONSOLIDATED STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2008 (in thousands)

(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2007)

	Unrestricted	Temporarily Restricted
Operating revenues		
1 Tuition and fees	\$ 669,681	\$ -
2 Scholarship allowance	(194,071)	-
3 Net tuition and fees	475,610	-
4 State and federal appropriations	190,885	-
5 Grants, contracts and similar agreements		
6 Direct	390,837	-
7 Indirect cost recoveries	114,121	-
8 Contributions	87,257	130,262
9 Investment return, distributed (note 3-A)	197,027	83,958
10 Medical Physicians' Organization	451,497	-
11 Auxiliary enterprises	140,993	-
12 Educational activities and other sales and services	373,970	2,740
13 Net assets released from restrictions	146,716	(146,716)
14 Total operating revenues	<u>2,568,913</u>	<u>70,244</u>
Operating expenses (note 9)		
15 Compensation and benefits	1,746,496	-
16 Purchased services	144,594	-
17 Supplies and general	478,041	-
18 Utilities, rents and taxes	138,223	-
19 Interest expense (note 7)	27,784	-
20 Depreciation	173,775	-
21 Total operating expenses	<u>2,708,913</u>	<u>-</u>
22 Change in net assets from operating activities	<u>(140,000)</u>	<u>70,244</u>
Nonoperating revenues and (expenses)		
23 State and federal appropriations for capital acquisitions	55,580	-
24 Grants, contracts and similar agreements for capital acquisitions	2,451	-
25 Contributions for capital acquisitions, trusts and endowments	57,616	110,323
26 Investment return, net of amount distributed (note 3-A)	(128,834)	6,747
27 Change in value of split interest agreements	8,627	(5,609)
28 Pension and postretirement changes other than net periodic costs (note 5-C)	(16,481)	-
29 Other	(62,791)	29,359
30 Net asset released for capital acquisitions and reclassifications	49,708	(69,026)
31 Change in net assets from nonoperating activities	<u>(34,124)</u>	<u>71,794</u>
32 Change in net assets before effect of change in accounting principle	(174,124)	142,038
33 Effect of adoption of FASB Statement No. 158 (notes 1-O, 5-C)	-	-
34 Change in net assets	(174,124)	142,038
35 Net assets, beginning of the year	5,303,889	777,922
36 Net assets, end of the year	<u>\$ 5,129,765</u>	<u>\$ 919,960</u>

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

Permanently Restricted	2008 Total	2007 Total	
\$ -	\$ 669,681	\$ 633,387	1
-	(194,071)	(189,225)	2
-	475,610	444,162	3
-	190,885	173,360	4
-	390,837	382,181	5
-	114,121	116,274	6
-	217,519	219,136	7
-	280,985	290,655	8
-	451,497	438,355	9
-	140,993	134,731	10
-	376,710	304,101	11
-	-	-	12
-	-	-	13
-	2,639,157	2,502,955	14
-	1,746,496	1,620,037	15
-	144,594	126,488	16
-	478,041	425,987	17
-	138,223	120,853	18
-	27,784	30,509	19
-	173,775	147,639	20
-	2,708,913	2,471,513	21
-	(69,756)	31,442	22
-	55,580	25,220	23
-	2,451	6,805	24
196,751	364,690	321,414	25
12,333	(109,754)	911,461	26
3,874	6,892	12,147	27
-	(16,481)	-	28
-	(33,432)	21,754	29
19,318	-	-	30
232,276	269,946	1,298,801	31
232,276	200,190	1,330,243	32
-	-	(77,133)	33
232,276	200,190	1,253,110	34
1,756,654	7,838,465	6,585,355	35
\$ 1,988,930	\$ 8,038,655	\$ 7,838,465	36

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2008 (in thousands)
(WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2007)

	2008	2007
Cash flows from operating activities		
1 Change in net assets	\$ 200,190	\$ 1,253,110
Adjustments to reconcile change in net assets to net cash provided/(used) by operating activities		
2 Contributions for capital acquisitions, trusts and endowments	(357,356)	(240,231)
3 Income for endowments and other donor restricted funds	(7,907)	(7,588)
4 Depreciation	173,775	147,639
5 Net realized and unrealized (gain)/loss on investments	(58,543)	(1,096,470)
6 Pension and postretirement changes other than net periodic costs	16,481	-
7 Effect of adoption of FASB Statement No. 158	-	77,133
8 Other adjustments	66,800	(26,022)
Change in assets and liabilities		
9 Accounts receivable, net	(28,926)	(38,840)
10 Contributions receivable, net	(170,907)	(160,285)
11 Inventories and prepaid expenses	15,116	(13,012)
12 Accounts payable and accrued expenses	79,333	37,308
13 Deferred revenue and other liabilities	161,020	(34,207)
14 Deferred benefits	34,000	36,622
15 Government advances for student loans	3,271	18
16 Net cash provided/(used) by operating activities	<u>126,347</u>	<u>(64,825)</u>
Cash flows from investing activities		
17 Proceeds from the sale and maturities of investments	10,123,144	8,049,830
18 Purchase of investments	(10,299,858)	(8,036,595)
19 Acquisition of land, buildings, and equipment (net)	(456,933)	(406,155)
20 Student loans granted	(13,692)	(15,725)
21 Student loans repaid	9,835	14,466
22 Change in funds held in trust for others	(37,794)	91,426
23 Net cash used by investing activities	<u>(675,298)</u>	<u>(302,753)</u>
Cash flows from financing activities		
Contributions restricted to		
24 Investment in endowments	234,032	101,531
25 Investment in physical plant	110,120	116,213
26 Investment subject to living trust agreements	13,204	22,487
27 Income for endowments and other donor restricted funds	7,907	7,588
28 Principal payments of bonds and notes payable	(87,316)	(117,936)
29 Proceeds from issuance of bonds and notes payable	286,428	215,751
30 Bond issuance costs incurred	(2,769)	(3,324)
31 Change in obligations under living trust agreements	1,055	29,748
32 Net cash provided by financing activities	<u>562,661</u>	<u>372,058</u>
33 Net change in cash and cash equivalents	13,710	4,480
34 Cash and cash equivalents, beginning of year	27,569	23,089
35 Cash and cash equivalents, end of year	<u>\$ 41,279</u>	<u>\$ 27,569</u>
Supplemental disclosure of cash flow information		
36 Cash paid for interest	\$ 38,142	\$ 33,682

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

1. SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Organization

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

B. Basis of Presentation

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

Permanently restricted net assets include the historical dollar amount of gifts, pledges, trusts, and gains explicitly required by donors to be permanently retained. Pledges and trusts are reported at their estimated fair values.

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

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

The consolidated statement of activities presents the changes in net assets of the University from both operating and nonoperating activities. Revenues and expenses that relate to carrying out the University’s educational, research, and public service missions are reported as operating activities. Operating revenues include investment income and appreciation utilized to fund current operations, the largest portion of which is the distribution of endowment return as determined by the University’s spending policy. The University reports as nonoperating activities the excess of investment earnings over amounts utilized

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands)

in operating activities, contributions and net assets released from restrictions for endowment and facilities, and other activities not in direct support of the University's annual operations.

All amounts in the consolidated financial statements and accompanying notes are presented, unless otherwise indicated, in thousands.

C. Cash and Cash Equivalents

The University classifies any instrument that has an original maturity term of ninety days or less as a cash equivalent. The carrying amount of cash equivalents approximates fair value because of their short terms of maturity.

D. Collateral for Securities Loaned

The University has an agreement with its investment custodian to lend University securities to approved brokers for a fee. The agreement specifies that, to limit the University's risk, the securities on loan must be collateralized by cash deposits. Cash collateral is reported as both an asset and liability of the University. The collateral is invested in short-term securities, and the earnings are recorded as additional income to the investment pools.

E. Contributions

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

Temporarily restricted net assets include contributions to a consolidated organization that maintains a donor-advised fund for which the donors will make recommendations to the fund's trustees regarding distributions to the University or other charitable organizations.

F. Investments

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

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

G. Derivative Instruments and Hedging Activities

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

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

H. Land, Buildings, and Equipment

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

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

I. Funds Held in Trust by Others

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

J. Living Trust Agreements

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

K. Sponsored Agreements

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

L. Medical Physicians' Organization

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

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, liabilities, revenues, and expenses during the reporting period. The University uses a discount rate based on Moody's AA rating for calculating present value. Actual results may differ from those estimates.

N. Comparative Financial Information

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

O. Accounting Pronouncements

Effective for the fiscal year ended June 30, 2008, the University adopted the provisions of Financial Accounting Standards Board (FASB) Interpretation No. 48: *Accounting for Uncertainty in Income Taxes* (FIN 48). FIN 48 addresses the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. It prescribes a threshold of "more likely than not" for recognition of tax positions taken in a tax return, and provides related guidance on measurement, classification, interest and penalties, and disclosure. FIN 48 had no material impact on the University's results of operations and financial position.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands)

In the fiscal year ended June 30, 2007, the University adopted Statement of Financial Accounting Standards No. 158: *Employers' Accounting for Defined Benefit Pension and Other Postretirement Benefit Plans* (FAS 158), which required recognition of the funded status of these employee benefit plans in the consolidated statement of financial position as either a prepaid expense or an accrued liability. The adjustment necessary to comply with FAS 158 was presented as a separate line in unrestricted net assets and not as income or expense in the consolidated statement of activities. The University recorded an additional liability of \$77,133 to reflect the unfunded status of its plans at June 30, 2007. In subsequent years, the University will continue to record changes in the funded status as pension and postretirement changes other than net periodic costs in the consolidated statement of activities.

P. Reclassifications

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

Q. Income Taxes

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

2. RECEIVABLES

A. Accounts Receivable

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

SUMMARY OF ACCOUNTS RECEIVABLE

	2008	2007
Grants and contracts	\$ 55,828	\$ 49,996
Patients (net of contractual allowances)	71,619	75,512
Student accounts	5,764	5,766
Other	158,843	133,146
Subtotal	\$ 292,054	\$ 264,420
Less: allowance for doubtful accounts	(15,163)	(16,455)
Net accounts receivable	\$ 276,891	\$ 247,965

The patient accounts receivable for medical services was comprised of the following at June 30, 2008 and 2007, respectively: commercial third parties 53 percent and 54 percent; federal/state government 12 percent and 14 percent; and patients 35 percent and 32 percent. Other accounts receivable include receivables from the Dormitory Authority of the State of New York (DASNY) for reimbursement of construction, the New York-Presbyterian Hospital for services provided by the Medical College, sponsoring agencies for grants and contracts, and matured bequests.

B. Contributions Receivable

Unconditional promises to give, or pledges, are recorded in the consolidated financial statements at present value using discount rates ranging from 5 percent to 7 percent. Contributions are expected to be realized as follows:

SUMMARY OF CONTRIBUTIONS RECEIVABLE

	2008	2007
Less than one year	\$ 212,667	\$ 147,653
Between one and five years	315,095	243,849
More than five years	474,898	448,769
Gross contributions receivable	\$ 1,002,660	\$ 840,271
Less: unamortized discount	(300,748)	(318,260)
Less: allowance for uncollectible amounts	(35,095)	(26,101)
Net contributions receivable	\$ 666,817	\$ 495,910

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

<u>EXPECTED PURPOSE OF CONTRIBUTIONS RECEIVABLE</u>		
	2008	2007
Support of University operations	\$ 297,287	\$ 239,604
Capital purposes	153,352	117,383
Endowments and similar funds	216,178	138,923
Net contributions receivable	\$ 666,817	\$ 495,910

At June 30, 2008 and 2007, conditional promises not reflected in the consolidated financial statements, which consist primarily of bequest intentions, were approximately \$165,458 and \$160,273, respectively.

C. Student Loans Receivable

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

<u>SUMMARY OF STUDENT LOANS RECEIVABLE</u>		
	2008	2007
Federal revolving loans	\$ 48,962	\$ 48,225
Institutional loans	29,618	26,498
Gross student loans receivable	\$ 78,580	\$ 74,723
Less: allowance for doubtful accounts	(6,296)	(9,792)
Net student loans receivable	\$ 72,284	\$ 64,931

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

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

3. INVESTMENTS

A. General Information

The University's investment holdings as of June 30 are summarized in the following table:

<u>INVESTMENTS AT FAIR VALUE</u>		
	2008	2007
Cash and cash equivalents	\$ 267,836	\$ 129,614
Domestic equities	699,794	834,060
Foreign equities	911,636	1,107,758
Absolute return	625,452	572,721
Hedged equities	1,252,730	1,306,924
Fixed income	898,489	749,574
Private equities	902,677	751,801
Real assets	956,468	885,194
Other	34,206	31,579
Total	\$ 6,549,288	\$ 6,369,225

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Under the terms of certain limited partnership agreements, the University is obligated to make additional capital contributions up to contractual levels. At June 30, 2008 and 2007, the University had commitments of \$1,362,308 and \$1,066,802, respectively, for which capital calls had not been exercised. Such commitments generally have fixed expiration dates or other termination clauses. The University maintains sufficient liquidity in its investment portfolio to cover such calls.

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

INVESTMENTS POOLS/CATEGORIES AT FAIR VALUE

	<u>2008</u>	<u>2007</u>
Working capital	\$ 32,704	\$ 3,807
Intermediate-term (PBIF)	571,174	609,353
Long-term investment pool (LTIP)	5,378,096	5,197,503
Separately invested portfolio	411,614	478,902
Pooled life income funds	13,909	16,935
Other	141,791	62,725
Total	<u>\$ 6,549,288</u>	<u>\$ 6,369,225</u>

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

SUMMARY OF INVESTMENT RETURN

	<u>2008</u>	<u>2007</u>
Interest and dividends, net of investment fees	\$ 112,688	\$ 105,646
Net realized gain/(loss)	415,142	394,161
Net unrealized gain/(loss)	(356,599)	702,309
Total investment return	<u>\$ 171,231</u>	<u>\$ 1,202,116</u>
Investment return, distributed	\$ 280,985	\$ 290,655
Investment return, undistributed	(109,754)	911,461
Total investment return	<u>\$ 171,231</u>	<u>\$ 1,202,116</u>

B. Long-Term Investment Pool

The LTIP is a mutual fund-like vehicle used for investing the University's true endowment funds, funds functioning as endowment, and other funds that are not expected to be expended for at least three years. The objective of this vehicle is to achieve a total return, net of expenses, of at least 5 percent in excess of inflation, as measured by a rolling 5-year average of the Consumer Price Index.

The University employs a unit method of accounting for the LTIP. Each participating fund enters into and withdraws from the pooled investment account based on monthly unit market values. At June 30, 2008 and 2007, the fair values per unit were \$65.37 and \$66.62, respectively. The total return on the University's long-term investments, of which the LTIP is the major component, was 2.7 percent for the fiscal year ended June 30, 2008. The changes in the fair value and cost of the LTIP and information about its participating units as of June 30, 2008 and 2007 are as follows:

SUMMARY INFORMATION - LONG-TERM INVESTMENT POOL

	<u>Fair value</u>	<u>Cost</u>	<u>Appreciation</u>	<u>Fair value per unit</u>	<u>Number of units</u>
End of year	\$ 5,378,096	\$ 4,267,499	\$ 1,110,597	\$ 65.37	82,269,929
Beginning of year	\$ 5,197,503	\$ 3,800,321	\$ 1,397,182	\$ 66.62	78,016,232
Unrealized net gain/(loss) for year			\$ (286,585)		
Realized net gain/(loss) for year			\$ 360,501		
Net gain/(loss) for year			\$ 73,916		

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

For the fiscal year ended June 30, 2008, distributions of investment payout to participating funds totaled \$213,048 (\$2.66 per unit) of which \$191,724 was paid out for the University's operations, with the balance in the amount of \$21,324 either returned to principal or distributed to funds held for others. The distribution for the fiscal year ended June 30, 2008 was comprised of \$46,997 in net investment income and \$166,051 paid from accumulated gains. For the fiscal year ended June 30, 2007, the investment payout was \$185,508 (\$2.42 per unit), and was comprised of \$44,726 in net investment income and \$140,782 paid from accumulated gains.

C. Separately Invested Portfolio, Pooled Life Income Funds, and Other

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

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

Other investments consist primarily of University funds on deposit at DASNY as reserves for retirement of debt and bond proceeds not yet expended. The total funds on deposit are \$122,599 and \$37,480 as of June 30, 2008 and 2007, respectively. The amount of bond proceeds not yet expended included in the total reserves at DASNY are \$107,653 and \$21,550 as of June 30, 2008 and 2007, respectively.

D. Derivative Financial Instruments

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

Certain investment transactions, including derivative financial instruments, involve counterparty credit exposure. The University's investment guidelines require that investment managers use only those counterparties with strong credit ratings for these derivatives. For the fiscal years ended June 30, 2008 and 2007, the University recorded unrealized gains of \$7,676 and \$2,385, respectively, on derivative holdings.

4. LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment are detailed as follows:

LAND, BUILDINGS, AND EQUIPMENT

	Book value at June 30, 2007	Additions	Disposals and closed projects	Book value at June 30, 2008
Land, buildings, and equipment	\$ 2,616,202	\$ 320,779	\$ (34,768)	\$ 2,902,213
Furniture, equipment, books, and collections	886,520	86,406	(39,414)	933,512
Construction in progress	351,592	453,257	(396,416)	408,433
Total before accumulated depreciation	\$ 3,854,314	\$ 860,442	\$ (470,598)	\$ 4,244,158
Accumulated depreciation	(1,506,091)			(1,627,928)
Net land, buildings, and equipment	\$ 2,348,223			\$ 2,616,230

Certain properties to which the University does not have title are included in physical assets at net book values as follows: (1) land, buildings, and equipment of the Contract Colleges aggregating \$421,439 and \$368,215 at June 30, 2008 and 2007, respectively, the acquisition cost of which was borne primarily by New York State and (2) land, buildings, and equipment for which titles rest with government and corporate agencies aggregating \$17,296 and \$17,293 at June 30, 2008 and 2007, respectively.

5. DEFERRED BENEFITS

A. General Information

Accrued employee benefit obligations as of June 30 include:

SUMMARY OF DEFERRED BENEFITS

	2008	2007
Postemployment benefits	\$ 21,334	\$ 21,765
Pension and other postretirement benefits	239,950	212,066
Other deferred benefits	163,754	140,726
Total deferred benefits	\$ 425,038	\$ 374,557

Accrued postemployment benefits include workers' compensation and medical continuation benefits for those on long-term disability. The University also provides various benefits to former or inactive employees after employment, but before retirement, that are recognized when they are earned.

B. Pension and Postretirement Plans

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

The primary defined contribution plans for Endowed Ithaca and for exempt employees (those not subject to the overtime provisions of the Fair Labor Standards Act) at the Medical College are carried by the Teachers Insurance and Annuity Association, the College Retirement Equities Fund, the Vanguard Group (Medical College only), and Fidelity Investments (Endowed Ithaca only), all of which permit employee contributions. Total pension costs of the Endowed Ithaca and Medical College plans for the fiscal years ended June 30, 2008 and 2007 amounted to \$76,873 and \$72,771, respectively.

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

In addition, certain non-exempt employees of Endowed Ithaca were covered by the Cornell University Retirement Plan for Non-Exempt Employees of the Endowed Colleges at Ithaca (NERP), a defined benefit plan. The Board of Trustees voted to terminate this frozen plan effective December 31, 2006, with all surplus assets inuring to the plan participants. As of June 30, 2008, the majority of benefits have been paid out to retirees, former employees and active employees with a vested benefit in NERP.

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

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

C. Obligations and Funded Status

In the fiscal year ended June 30, 2007, the University adopted FAS 158, which required employers to recognize the over-funded or under-funded status of defined benefit pension and postretirement plans in their statements of financial position. This resulted in an increase in deferred benefits liability of \$77,133. Adjustments in subsequent years will be recorded as pension and postretirement changes other than net periodic costs in the consolidated statement of activities.

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

SUMMARY OF OBLIGATIONS AND FUNDED STATUS

	Pension benefits		Other postretirement	
	2008	2007	2008	2007
CHANGE IN PLAN ASSETS				
Fair value of plan assets at beginning of year	\$ 53,110	\$ 64,846	\$ 127,921	\$ 101,552
Actual return on plan assets	(3,930)	7,801	(6,212)	21,276
Employer contribution	3,000	3,800	5,336	5,093
Benefits paid	(1,725)	(4,056)	-	-
Settlements	(9,736)	(19,281)	-	-
Fair value of plan assets at end of year	\$ 40,719	\$ 53,110	\$ 127,045	\$ 127,921
CHANGE IN BENEFIT OBLIGATION				
Benefit obligation at beginning of year	\$ 59,919	\$ 67,721	\$ 326,096	\$ 314,733
Service cost (benefits earned during the period)	3,420	3,212	13,528	13,660
Interest cost	3,094	4,028	18,841	18,734
Plan amendments	3,132	-	-	-
Actuarial (gain)/loss	(727)	8,295	1,942	(11,435)
Settlements	(9,736)	(19,281)	-	-
Benefits paid	(1,725)	(4,056)	(10,272)	(9,596)
Projected benefit obligation at end of year	\$ 57,377	\$ 59,919	\$ 350,135	\$ 326,096
FUNDED STATUS	\$ (16,658)	\$ (6,809)	\$ (223,090)	\$ (198,175)
AMOUNTS RECOGNIZED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION	\$ (16,658)	\$ (6,809)	\$ (223,090)	\$ (198,175)
AMOUNTS RECORDED IN UNRESTRICTED NET ASSETS NOT YET AMORTIZED AS COMPONENTS OF NET PERIODIC BENEFIT COST				
Net transition obligation	\$ -	\$ -	\$ 18,221	\$ 21,866
Prior service cost	-	-	510	639
Net actuarial (gain)/loss	8,681	5,992	66,202	48,636
Amount recognized as reduction in unrestricted net assets	\$ 8,681	\$ 5,992	\$ 84,933	\$ 71,141

The accumulated benefit obligation for the pension plans was \$44,061 and \$46,737 at June 30, 2008 and 2007, respectively. The accumulated benefit obligation differs from the projected benefit obligation in the table above in that it includes no assumptions about future compensation levels. It represents the actuarial present value of future payments to plan participants using current and past compensation levels. For postretirement plans other than pensions, the accumulated benefit obligation is the same as the projected benefit obligations because the liabilities are not compensation-related.

D. Net Periodic Benefit Cost

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

NET PERIODIC BENEFIT COST

	Pension benefits		Other postretirement	
	2008	2007	2008	2007
Service cost (benefits earned during the period)	\$ 3,420	\$ 3,212	\$ 13,528	\$ 13,660
Interest cost	3,094	4,028	18,841	18,734
Expected return on plan assets	(3,776)	(4,923)	(9,906)	(8,309)
Amortization of initial transition obligation	-	-	3,644	3,644
Amortization of prior service cost	3,133	-	129	264
Amortization of net (gain)/loss	3,593	612	495	2,365
Settlement (gain)/loss	696	10,685	-	-
Net periodic benefit cost	\$ 10,160	\$ 13,614	\$ 26,731	\$ 30,358

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(dollars in thousands)

The amounts of transition obligation, prior service costs, and actuarial gains/losses that will be amortized into net periodic benefit cost for the year ending June 30, 2009 are estimated as follows:

ESTIMATED COMPONENTS OF NET PERIODIC BENEFIT COST

	Pension benefits	Other postretirement
Transition obligation	\$ -	\$ 3,644
Prior service cost	-	129
Net actuarial (gain)/loss	282	2,620
Total	\$ 282	\$ 6,393

E. Actuarial Assumptions

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

SUMMARY OF ACTUARIAL ASSUMPTIONS

	Pension benefits		Other postretirement	
	2008	2007	2008	2007
USED TO CALCULATE BENEFIT OBLIGATIONS AT JUNE 30				
Discount rate	6.00%	6.00%	6.00%	6.00%
Rate of compensation increase	6.10%	6.10%		
USED TO CALCULATE NET PERIODIC COST AT JULY 1				
Discount rate	6.00%	6.00%	6.00%	6.00%
Expected return on plan assets	8.00%	8.00%	8.00%	8.00%
Rate of compensation increase	6.10%	6.10%		
ASSUMED HEALTH CARE COST TREND RATES				
Health care cost trend rate assumed for next year	n/a	n/a	8.00%	8.00%
Ultimate trend rate	n/a	n/a	5.00%	5.00%
Years to reach ultimate trend rate	n/a	n/a	6	3

The health care cost trend rate assumption has a significant effect on the amounts reported for other postretirement (health care) plans. Increasing the health care cost trend rate by 1 percent in each future year would increase the benefit obligation by \$56,892 and the annual service and interest cost by \$6,629. Decreasing the health care cost trend rate by 1 percent in each future year would decrease the benefit obligation by \$46,023 and the annual service and interest cost by \$5,213.

F. Plan Assets

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

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

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

SUMMARY OF PLAN ASSETS

PERCENTAGE OF PLAN ASSETS	Target allocation	Pension benefits		Other postretirement	
		2008	2007	2008	2007
Equity securities	39-85%	59.7%	52.0%	69.7%	70.1%
Debt securities	15-55%	36.7%	44.6%	30.3%	29.9%
Real estate	0-5%	3.6%	3.4%	0.0%	0.0%
Total		100.0%	100.0%	100.0%	100.0%

G. Expected Contributions and Benefit Payments

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

EXPECTED CONTRIBUTIONS AND BENEFIT PAYMENTS

UNIVERSITY CONTRIBUTIONS	Pension benefits	Other postretirement	
		Employer paid	Government subsidy
2009	\$ 2,500	\$ 5,589	n/a
FUTURE BENEFIT PAYMENTS			
2009	\$ 3,024	\$ 11,181	\$ 1,502
2010	2,918	12,218	1,665
2011	3,588	13,450	1,820
2012	3,599	14,539	1,988
2013	3,540	15,683	2,178
2014-2018	23,326	98,741	14,244

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

H. Contract College Employees

Employees of the Contract Colleges are covered under the New York State pension plans. Contributions to the state retirement system and other employee benefit costs are paid directly by the state. The amounts of the direct payments applicable to the University as revenue and expenditures are not currently determinable and are not included in the consolidated financial statements. The University reimburses the state for employee benefit costs on certain salaries, principally those associated with externally sponsored programs. The amounts reimbursed to the state during the fiscal years ended June 30, 2008 and 2007, were \$18,459 and \$17,488, respectively, and were included in operating expenses.

6. FUNDS HELD IN TRUST FOR OTHERS

The University, in limited instances, invests funds as a custodian for other closely related parties. Independent trustees are responsible for the funds and for the designation of income distribution. The New York Hospital-Cornell Medical Center Fund, Inc., which benefits the Weill Cornell Medical Center of the New York-Presbyterian Hospital, is the major external organization invested in the LTIP with assets having market values of \$189,342 and \$186,461 at June 30, 2008 and 2007, respectively. Of these investments, a portion of the future income stream has been directed in perpetuity to benefit the Medical College. The present values of this income stream, calculated to be \$75,966 and \$74,141 at June 30, 2008 and 2007, respectively, are recorded as reductions in the funds held in trust for others liability.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands)

7. BONDS AND NOTES PAYABLE

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

SUMMARY OF BONDS AND NOTES PAYABLE

	<u>2008</u>	<u>2007</u>	<u>Interest rates</u>	<u>Final maturity</u>
Dormitory Authority of the State of New York (DASNY)				
Revenue Bond Series				
1990B-Variable rate/daily	\$ 56,700	\$ 57,300	0.55 to 3.96	2025
2000A-Variable rate/weekly	56,620	58,320	2.99*	2029
2000B-Variable rate/weekly	74,835	76,765	4.63*	2030
2004-Variable rate/weekly	88,175	90,150	3.51*	2033
2006-Fixed rate	231,160	239,750	4.00 to 5.00	2035
2008B&C-Variable rate/daily	130,000	-	0.35 to 2.50	2037
1995 Student loan bond capital appreciation	-	6,339	5.90 to 6.15	2008
Tax-exempt commercial paper	149,875	89,005	1.00 to 3.72*	2037
Bond Series 1987B-Fixed rate	8,825	10,370	11.11	2012
Taxable commercial paper	60,911	86,979	2.25 to 5.33	-
Industrial Development Agency				
2000-Fixed rate	3,330	4,335	5.10 to 5.25	2011
2002A-Variable rate/weekly	42,530	42,710	4.52*	2030
2002B-Variable rate/weekly	15,390	15,390	4.33*	2015
2008A-Variable rate/daily	70,000	-	0.55 to 3.40	2037
Student Loan Marketing Association-Fixed rate	5,030	5,340	5.75 to 6.50	2019
Urban Development Corporation	2,625	2,750	-	2029
Capitalized leases				
312 College Ave	-	11,296	various	2008
Other	3,164	3,308	various	2009-2029
Total bonds and notes payable	<u>\$ 999,170</u>	<u>\$ 800,107</u>		

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

The University's bonds and notes payable had carrying amounts of \$999,170 and \$800,107 at June 30, 2008 and 2007, respectively, compared to estimated fair values of approximately \$1,001,739 and \$808,513 at June 30, 2008 and 2007, respectively. Estimated fair value of bonds is based on quoted market prices for the same or similar issues. The market prices utilized reflect the amounts a third party would pay to purchase the bonds, and not an additional liability to the University. Interest expense during the fiscal year ended June 30, 2008 was \$27,784, of which \$25,926 was related to the bonds and notes payable displayed in the table above. During the fiscal year ended June 30, 2007, interest expense was \$30,509, of which \$28,890 was related to the bonds and notes payable. The University capitalized interest on self-constructed assets, such as buildings, in the amount of \$9,698 and \$4,218 for the fiscal years ended June 30, 2008 and 2007, respectively.

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

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

The University has eleven interest rate swap agreements to exchange variable rate debt for fixed rate obligations without the exchange of the underlying principal amount. Net payments or receipts under the swap agreements are recorded as adjustments to interest expense. Three of the six forward-starting swaps were negotiated in the fiscal year ended June 30, 2008. Under four agreements in effect at June 30, 2008, the counterparty pays the University a variable interest rate equal to the Securities Industry and Financial Markets Association (SIFMA) index, and under seven other agreements, the counterparty pays a variable interest rate equal to a percentage of the one month London Interbank Offered Rates (LIBOR).

At June 30, 2008 and 2007, the total fair value was (\$34,504) for eleven swap agreements and \$20,691 for eight swap agreements, respectively. Detailed information about the interest rate swaps is shown in the following table:

SUMMARY OF INTEREST RATE SWAPS

Notional amount	Interest rate	Commencement	Expiration date	Basis
\$ 15,390	4.33%		July 1, 2010	SIFMA
106,620	2.99%		October 1, 2012	SIFMA
42,530	4.52%		July 1, 2030	SIFMA
74,835	4.63%		July 1, 2030	LIBOR
88,175	3.51%		July 1, 2033	LIBOR
200,000	3.84%	July 1, 2008	July 1, 2037	SIFMA
100,000	3.55%	July 1, 2009	July 1, 2036	LIBOR
200,000	3.45%	July 1, 2010	July 1, 2039	LIBOR
275,000	3.65%	July 1, 2010	July 1, 2040	LIBOR
200,000	3.48%	July 1, 2012	July 1, 2041	LIBOR
200,000	3.77%	July 1, 2014	July 1, 2044	LIBOR

During the fiscal year ended June 30, 2008, the University issued \$70,000 of variable rate bonds to finance the central heating plant project, and \$130,000 of variable rate bonds to refund tax-exempt commercial paper. In addition, the University reoffered the Series 2004 bonds. There was no change in the underlying bonds other than from an auction rate to a variable rate mode.

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

The University paid \$3,252 in the fiscal year ended June 30, 2008 to defease the 1995 student loan capital appreciation bonds. In addition, the university terminated its capitalized lease.

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

ANNUAL DEBT SERVICE REQUIREMENTS

Year	Principal	Interest	Total
2009	\$ 22,035	\$ 38,112	\$ 60,147
2010	22,556	37,091	59,647
2011	26,761	36,033	62,794
2012	27,543	34,651	62,194
2013	26,538	32,996	59,534
Thereafter	873,737	432,604	1,306,341
Total	\$ 999,170	\$ 611,487	\$ 1,610,657

The University records its working capital line of credit as other liabilities in the consolidated statement of financial position. During the fiscal year ended June 30, 2008, the University added an additional working capital line of credit with Bank of America for \$100,000 to support short-term cash flow needs, bringing the maximum amount outstanding at any one time for both lines of credit to \$200,000. At June 30, 2008, the interest rates were 2.58 percent and 3.00 percent for the University's two lines of credit. At June 30, 2007, the University had one line of credit with an interest rate of 6.25 percent. The two lines of credit have annual expiration dates of February 20 and December 31. As of June 30, 2008 and 2007, \$164,500 and \$30,500, respectively, were borrowed against the lines of credit.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands)

8. OPERATING LEASES

Although the University generally purchases, rather than leases, machinery and equipment, the University does enter operating lease agreements for the use of real property. Total lease expenses were \$18,058 and \$18,011 for the fiscal years ended June 30, 2008 and 2007, respectively. The future annual minimum lease payments in the following table are payments under operating leases expiring at various dates through November 1, 2054.

ANNUAL MINIMUM OPERATING LEASE PAYMENTS

<u>Year</u>	<u>Payments</u>
2009	\$ 20,281
2010	16,526
2011	15,436
2012	13,222
2013	11,495
Thereafter	69,916
Total minimum operating lease payments	\$ 146,876

9. FUNCTIONAL EXPENSES AND STUDENT AID

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

FUNCTIONAL EXPENSES

	<u>2008</u>	<u>2007</u>
Instruction	\$ 597,606	\$ 555,434
Research	511,158	502,661
Public service	114,143	108,847
Academic support	267,222	236,784
Student services	119,858	111,279
Medical services	474,471	412,270
Institutional support	414,747	360,426
Enterprises and subsidiaries	209,708	183,812
Total expenses	\$ 2,708,913	\$ 2,471,513

The expenses for operations and maintenance of facilities, depreciation, and interest are allocated to functional categories based on square footage. The amounts allocated for operations and maintenance were approximately \$154,430 and \$143,344 for the fiscal years ended June 30, 2008 and 2007, respectively.

Student financial assistance, other than assistance in exchange for services, is shown as a component of instruction expense unless the assistance is for tuition and mandatory fees. If the assistance is for tuition and mandatory fees, the amounts are recorded as scholarship allowance which reduces tuition revenue. Total financial assistance amounts classified as instruction expense were \$24,106 and \$23,401 for the fiscal years ended June 30, 2008 and 2007, respectively.

10. NET ASSETS

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

SUMMARY OF NET ASSETS

	Unrestricted	Temporarily restricted	Permanently restricted	2008 Total	2007 Total
Endowment					
True endowment	\$ 1,979,508	\$ -	\$ 1,555,709	\$ 3,535,217	\$ 3,460,881
Funds functioning as endowment (FFE)	1,538,967	173,825	-	1,712,792	1,652,213
Total true endowment and FFE	\$ 3,518,475	\$ 173,825	\$ 1,555,709	\$ 5,248,009	\$ 5,113,094
Funds held by others, perpetual	-	-	137,473	137,473	134,003
Total University endowment	\$ 3,518,475	\$ 173,825	\$ 1,693,182	\$ 5,385,482	\$ 5,247,097
Other Net Assets					
Operations	(170,458)	134,756	-	(35,702)	165,396
Student loans	8,725	-	33,516	42,241	37,775
Facilities and equipment	1,773,023	48,136	-	1,821,159	1,739,438
Living trust funds	-	68,207	46,054	114,261	109,161
Funds held by others, other than perpetual	-	44,397	-	44,397	43,688
Contributions receivable, net	-	450,639	216,178	666,817	495,910
Total net assets	\$ 5,129,765	\$ 919,960	\$ 1,988,930	\$ 8,038,655	\$ 7,838,465

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

Of the endowment assets held at the University, 98 percent and 97 percent were invested in the LTIP at June 30, 2008 and 2007, respectively. At June 30, 2008, 257 of 5,581 true endowment funds invested in the LTIP, with a book value of \$84,435, had fair values below book values by a total of \$2,287. The University holds significant unrestricted appreciation on endowments to offset these temporary decreases in value. The University has maintained these true endowment funds at their historical book value.

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

SUMMARY OF ENDOWMENT ACTIVITY

	Unrestricted	Temporarily restricted	Permanently restricted	2008 Total	2007 Total
True endowment and FFE beginning of year	\$ 3,576,523	\$ 120,053	\$ 1,416,518	\$ 5,113,094	\$ 4,152,207
Investment return					
Net investment income	27,489	17,338	2,376	47,203	44,352
Net realized and unrealized gains	1,741	66,743	4,534	73,018	979,166
Total investment return	\$ 29,230	\$ 84,081	\$ 6,910	\$ 120,221	\$ 1,023,518
New gifts	6,950	42,558	109,243	158,751	87,142
Net transfers to/(from) FFE	20,457	(9,097)	-	11,360	11,122
Distribution of endowment return to other funds	(115,072)	(76,651)	(2,763)	(194,486)	(170,134)
Other changes	(5,091)	(2,464)	6,475	(1,080)	5,210
Reclassifications	5,478	15,345	19,326	40,149	4,029
Total true endowment and FFE end of year	\$ 3,518,475	\$ 173,825	\$ 1,555,709	\$ 5,248,009	\$ 5,113,094

11. CONTINGENT LIABILITIES

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

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

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

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SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

The following is a brief summary, prepared by Bond Counsel, of certain provisions of the Loan Agreement pertaining to the Series 2009A Bonds and the 2009A Project. Such summary does not purport to be complete and reference is made to the Loan Agreement for full and complete statements of such and all provisions. Defined terms used herein shall have the meanings ascribed to them in Appendix A.

Duration of Agreement

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

(Section 43)

Construction of Projects

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

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

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

copies of all invoices, paid or unpaid;

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

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

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

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

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

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

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

(Section 5)

Amendment of a Project; Cost Increases; Additional Bonds

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

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

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

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

(Section 6)

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

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

(a) On or before the date of delivery of the Series 2009A Bonds payments shall be made by the University in payment of the Authority Fee in the amounts set forth in the Loan Agreement to be applied against payment of the Authority Fee in connection with the issuance of the Series 2009A Bonds;

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

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

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

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

(f) [RESERVED]

(g) On December 10 of each Bond Year, one-half (1/2) of the Annual Administrative Fee payable during such Bond Year in connection with each Series of Bonds, and on June 10 of each Bond Year the balance of the Annual Administrative Fee payable during such Bond Year; provided, however, that the Annual Administrative Fee payable shall become effective, with respect to the Series 2009A Bonds on the date set forth in the Loan Agreement and with respect to any other Series of Bonds on the date agreed to by the University and the Authority at the time Bonds of such Series are issued; and, provided, further, that the Annual Administrative Fee with respect to any Series of Bonds payable during the Bond Year during which such Annual Administrative Fee became effective shall be equal to the Annual Administrative Fee with respect to such Series of Bonds multiplied by a fraction the numerator of which is the number of calendar months or parts thereof remaining in such Bond Year and the denominator of which is twelve (12);

(h) Promptly after notice from the Authority, but in any event not later than fifteen (15) days after such notice is given, the amount set forth in such notice as payable to the Authority (i) for the Authority Fee then

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

(i) On the date a Series of Bonds, other than the Series 2009A Bonds, is issued, an amount equal to the Authority Fee in connection with issuance of such Series of Bonds;

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

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

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

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

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

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

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

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

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

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

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

3. The obligations of the University to make payments or cause the same to be made under the Loan Agreement shall be complete and unconditional and the amount, manner and time of making such payments shall not be decreased, abated, postponed or delayed for any cause or by reason of the happening or non-happening of any event, irrespective of any defense or any right of set-off, recoupment or counterclaim which the University may otherwise have against the Authority, the Trustee or any Bondholder for any cause whatsoever including, without limiting the generality of the foregoing, failure of the University to complete a Project or the completion thereof with defects, failure of the University to occupy or use a Project, any declaration or finding that the Bonds or any Series of Bonds are, or the Resolution is, invalid or unenforceable or any other failure or default by the Authority or the Trustee; provided, however, that nothing in the Loan Agreement shall be construed to release the Authority from the performance of any agreements on its part in the Loan Agreement contained or any of its other duties or obligations, and in the event the Authority shall fail to perform any such agreement, duty or obligation, the University may institute such action as it may deem necessary to compel performance or recover damages for non-

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

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

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

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

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

(Section 9)

Consent to Pledge and Assignment by the Authority

The University consents to and authorizes the assignment, transfer or pledge by the Authority to the Trustee of the Authority's rights to receive the payments required to be made pursuant to the Loan Agreement to secure any payment or the performance of any obligation of the University pursuant to the Loan Agreement or arising out of the transactions contemplated by the Loan Agreement whether or not the right to enforce such payment or performance shall be specifically assigned by the Authority to the Trustee. The University further agrees that the Authority may pledge and assign to the Trustee any and all of the Authority's rights and remedies under the Loan Agreement. Upon any pledge and assignment by the Authority to the Trustee authorized the Loan Agreement, the Trustee shall be fully vested with all of the rights of the Authority so assigned and pledged and may thereafter exercise or enforce, by any remedy provided by the Loan Agreement or by law, any of such rights directly in its own name. Any such pledge and assignment shall be limited to securing the University's obligation to make all payments required under the Loan Agreement and to performing all other obligations required to be performed by the University under the Loan Agreement.

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

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

(Section 10)

Limitation on Liens

Except as otherwise provided the Loan Agreement, so long as Bonds shall be Outstanding, the University covenants and agrees that it will not issue, assume or guarantee any Debt secured by Liens upon any Restricted Property or create, incur or assume any Liens upon any Restricted Property to secure Debt, without effectively providing that the University's indebtedness under the Loan Agreement (together with, if the University so determines, any other indebtedness or obligation thereafter created that is not subordinate in right of payment to the University's indebtedness under the Loan Agreement) shall be secured equally and ratably with or prior to all other obligations secured thereby as long as such Debt shall be so secured, except that the foregoing provisions shall not apply to:

(a) Liens to secure all or any part of the purchase price or the cost of construction of Restricted Property acquired or constructed by the University, provided (i) the Debt secured by any such Lien is non-recourse to the University, (ii) the amount of such Debt does not exceed ninety-five per centum (95%) of the purchase price or the cost of construction, (iii) such Debt and related Lien are incurred within ninety (90) days after the acquisition or completion of construction, and (iv) such Lien relates only to the Restricted Property so acquired or constructed;

(b) Liens existing on Restricted Property at the time of acquisition of such Restricted Property by the University, provided (i) the Debt secured by any such Lien is non-recourse to the University, and (ii) the amount of such Debt does not exceed ninety-five per centum (95%) of the fair market value (in the opinion of an Authorized Officer of the University) of such Restricted Property;

(c) Liens to secure Debt incurred to the Authority or to secure Bonds, bonds, notes or other obligations issued by the Authority;

(d) With the consent of the Authority, Liens upon Restricted Property to secure obligations incurred by the University to the issuer of a Credit Facility or a Liquidity Facility or pursuant to an agreement relating thereto; and

(e) Any extension, renewal or replacement (or successive extensions, renewals or replacements), in whole or in part, of any Lien referred to in the foregoing clauses (a) through (d) inclusive or of any Debt secured thereby; provided, that (i) the principal amount of Debt secured thereby shall not exceed the principal amount of Debt so secured at the time of such extension, renewal or replacement, (ii) such extension, renewal or replacement Lien shall be limited to all or part of substantially the same Restricted Property to which the Lien that was extended, renewed or replaced applied (plus improvements on such Restricted Property) and (iii) in the case of any Lien referred to in the foregoing clause (a) or (b), the Debt secured thereby shall be non-recourse to the University.

Upon receipt of the consent of the holders of a majority in aggregate principal amount of Outstanding Bonds, which shall be achieved upon the issuance of the Series 2009A Bonds, Section 11 of the Loan Agreement will be deleted.

(Section 11)

Exempted Transactions

Notwithstanding certain of the provisions of the Loan Agreement, the University may issue, assume or guarantee Debt secured by Liens or create, incur or assume Liens to secure Debt, that would otherwise be subject to the restrictions in Section 11 of the Loan Agreement:

(a) in the event that:

(i) the fair market value (in the opinion of an Authorized Officer of the University) of the Restricted Property securing such Debt, together with the aggregate value (as shown on the books and records of the University upon which the most recent audited financial statements of the University are based) of all other Restricted Property of the University securing Debt (other than Restricted Property securing Debt permitted to be secured under Section 11 of the Loan Agreement), does not exceed an amount equal to twenty percent (20%) (or such higher percentage as shall be consented to by an Authorized Officer of the Authority) of the University's total assets (as shown on the most recent audited financial statements of the University); and

(ii) the aggregate principal amount of such Debt, together with the aggregate outstanding principal amount of all other Debt secured by Liens on Restricted Property of the University (other than Debt permitted to be secured under Section 11 of the Loan Agreement, does not exceed an amount equal to twenty-percent (20%) (or such higher percentage as shall be consented to by the Authority) of the University's total assets (as shown on the most recent audited financial statements of the University);

provided that in no event (unless the conditions stated in clause (a) are fulfilled) shall the University, without the prior written consent of an Authorized Officer of the Authority, issue, assume or guarantee any Debt secured by Liens upon the University's stocks, bonds, notes or similar securities, or create, incur or assume Liens upon the University's stocks, bonds, notes or similar securities to secure Debt (other than Debt incurred to the Authority in connection with bonds, notes or other obligations of the Authority issued under a resolution of the Authority), if the market value of the stocks, bonds, notes or similar securities securing such Debt, together with the aggregate market value of all other stocks, bonds, notes or similar securities of the University securing Debt (other than Debt incurred to the Authority in connection with bonds, notes or other obligations of the Authority issued under a resolution of the Authority) would exceed five percent (5%) of the market value of the University's stocks, bonds, notes or similar securities at the end of the calendar month preceding the date on which such Debt is issued, assumed or guaranteed by the University, as such market value is set forth in a certificate of the chief financial officer of the University delivered prior to the date such Debt is issued, assumed or guaranteed, which certificate shall also set forth the outstanding principal amount of Debt, including the Debt then to be issued, assumed or guaranteed, secured by liens upon stocks, bonds, notes or similar securities of the University.

Upon receipt of the consent of the holders of a majority in aggregate principal amount of Outstanding Bonds, which shall be achieved upon the issuance of the Series 2009A Bonds, Section 12 of the Loan Agreement will be deleted.

(Section 12)

Available Assets and General Liabilities; Unrestricted Endowment

The University warrants and represents that its Available Assets are, and covenants that on each Report Date they will be equal to not less than two (2) times the General Liabilities of the University; provided that failure to comply with this covenant shall not constitute an Event of Default under the Loan Agreement if the University has complied with the provision of Section 14 of the Loan Agreement respecting the Management Consultant.

The University covenants that it shall maintain, on each Report Date so long as the University shall have Short Term Debt, as an asset of the University, stocks, bonds, notes or other similar securities which (i) are not required to be used to pay any item which is a Cost of a Project, (ii) are free and clear of any pledge, lien, charge, security interest or other encumbrance, (iii) are not subject to any statutory, contractual or other restriction and (iv) have a market value at least equal to twenty-five percent (25%) of the University's annual operating expenses; provided that failure to comply with this consent shall not constitute an Event of Default under the Loan Agreement if the University has complied with the provision of Section 14 of the Loan Agreement respecting the Management Consultant.

Upon receipt of the consent of the holders of a majority in aggregate principal amount of Outstanding Bonds, which shall be achieved upon the issuance of the Series 2009A Bonds, Section 13 of the Loan Agreement will be deleted.

(Section 13)

Management Consultant

If the University fails to comply with any of the covenants contained in Section 13 of the Loan Agreement in any fiscal year succeeding a fiscal year in which no such failure occurred, the Authority, at its election which shall be exercised within sixty (60) days of notice of such failure, may request the University to engage, at the University's expense, a Management Consultant to review the rates, operations and management of the University and any other matter deemed appropriate by the Authority and to make such recommendations with respect to such rates, operations, management and other matters as will enable the University to comply with such covenants within a reasonable period. The University shall engage a Management Consultant within sixty (60) days of such request by the Authority. Copies of the report and recommendations of the Management Consultant shall be filed with the Authority, the Trustee, the Board of trustees of the University and an Authorized Officer of the University no later than one hundred twenty (120) days following the date of engagement of such Management Consultant. The Board of trustees of the University and such Authorized Officer of the University shall each deliver to the Authority no later than thirty (30) days following the date of filing with the Authority of the report and recommendations of the Management Consultant a written report setting forth their respective comment and reaction to the report and recommendations of the Management Consultant.

If the University fails to comply with any of the covenants contained in Section 13 of the Loan Agreement in any fiscal year succeeding a fiscal year in which such failure has occurred, the University shall engage within sixty (60) days of such failure, at the University's expense, a Management Consultant to review the rates, operations and management of the University and any other matter deemed appropriate by the Authority and to make such recommendations with respect to such rates, operations, management and other matters as will enable the University to comply with such covenants within a reasonable period. The University shall immediately notify an Authorized Officer of the Authority of such engagement. Copies of the report and recommendations of the Management Consultant shall be filed with the Authority, the Trustee, the Board of trustees of the University and an Authorized Officer of the University no later than one hundred twenty (120) days following the date of engagement of such Management Consultant. The University shall, to the extent feasible, promptly upon its receipt of such recommendations, and subject to applicable requirements or restrictions imposed by law or regulation, revise its rates, fees and charges, its methods of operation or collections or its debt and investment management and shall take such other action as shall be in conformity with such recommendations. The University shall deliver to the Authority and the Trustee:

within forty-five (45) days of receipt of such Management Consultant's report (a) a report setting forth in reasonable detail the steps the University 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 University accepting both the Management Consultant's report and the report prepared by the University as required in clause (a).

quarterly reports demonstrating the progress made by the University in implementing the recommendations of the Management Consultant.

If the University complies in all material respects with the reasonable recommendations of the Management Consultant delivered under Section 14 of the Loan Agreement, the University will be deemed to have complied with the covenants contained in Section 13 of the Loan Agreement for the University's fiscal year in which the Management Consultant's report is delivered and the University's succeeding fiscal year.

(Section 14)

Upon receipt of the consent of the holders of a majority in aggregate principal amount of Outstanding Bonds, which shall be achieved upon the issuance of the Series 2009A Bonds, Section 14 of the Loan Agreement will be amended and restated in its entirety to read as follows:

If at any time the rating on any Outstanding Bonds or on any of the University's long term unsecured, unenhanced debt obligations is reduced by Moody's Investor Service, Inc. ("Moody's") to "A1" or by Fitch, Inc. ("Fitch") or Standard & Poor's Rating Services ("S&P") to "A+", the Authority may request the University to engage, at the University's expense, a Management Consultant, which the University hereby agrees to engage within sixty (60) days after such request is made; and, if at any time the rating on any Outstanding Bonds or on any of the University's long term unsecured, unenhanced debt obligations is reduced by Moody's to less than "A1" or by Fitch

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

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

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

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

(Section 14, as proposed to be amended)

Maintenance of Corporate Existence

The University covenants that it will maintain its corporate existence, will continue to operate as an institution for higher education, will obtain, maintain and keep in full force and effect such governmental approvals, consents, licenses, permits and accreditations as may be necessary for the continued operation of the University as an institution for higher education providing such programs of instruction as it may from time to time determine, will not dissolve or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into another corporation or permit one or more corporations to consolidate with or merge into it; provided, however, that if no Event of Default shall have occurred and be continuing and prior written notice shall have been given to the Authority and the Trustee, the University may (i) sell or otherwise transfer all or substantially all of its assets to, or consolidate with or merge into, another organization or corporation which qualifies under Section 501(c) (3) of the Code, or any successor provision of federal income tax law, or (ii) permit one or more corporations or any other organization to consolidate with or merge into it, or (iii) acquire all or substantially all of the assets of one or more corporations or any other organization; provided, however, (a) that any such sale, transfer, consolidation, merger or acquisition does not in the opinion of counsel satisfactory to the Authority adversely affect the exemption from federal income tax of the interest paid or payable on the Bonds, (b) that the surviving, resulting or transferee corporation, as the case may be, is incorporated under the laws of the State, and qualified under Section 501(c) (3) of the Code or any successor provision of federal income tax law, and (c) that the surviving, resulting or transferee corporation, as the case may be, assumes in writing all of the obligations of and restrictions on the University under the Loan Agreement and under any Remarketing Agreement, any Liquidity Facility, any Credit Facility and furnishes to the Authority a certificate to the effect that upon such sale, transfer, consolidation, merger or acquisition such corporation shall be in compliance with each of the provisions of the Loan Agreement and shall meet the requirements of the Act. Furthermore, such sale, transfer, consolidation, merger, acquisition or other disposition shall occur only if, after giving effect to such sale, transfer, consolidation, merger, acquisition or other disposition,

(x) no Event of Default would exist under the Loan Agreement or under the Resolution and, (y) the surviving, resulting or transferee corporation is in compliance with the covenants contained in Sections 11, 12 and 13 the Loan Agreement on the date of such sale, transfer, consolidation, merger, acquisition or other disposition.

(Section 18)

Tax-Exempt Status

The University represents that: (i) it is an organization described in Section 501(c) (3) of the Code, or corresponding provisions of prior law and is not a “private foundation” as such term is defined under Section 509(a) of the Code; (ii) it has received a letter or other notification from the Internal Revenue Service to that effect; (iii) such letter or other notification has not been modified, limited or revoked; (iv) it is in compliance with all terms, conditions and limitations, if any, contained in such letter or other notification; (v) the facts and circumstances which form the basis of such letter or other notification as represented to the Internal Revenue Service continue to exist; and (vi) it is exempt from federal income taxes under Section 501(a) of the Code. The University agrees that: (a) it shall not perform any act or enter into any agreement which shall adversely affect such federal income tax status and shall conduct its operations in the manner which will conform to the standards necessary to qualify the University as an organization within the meaning of Section 501(c) (3) of the Code or any successor provision of federal income tax law; and (b) it shall not perform any act, enter into any agreement or use or permit a Project to be used in any manner, or for any trade or business unrelated to the educational purposes of the University, which could adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code.

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

(Section 16)

Arbitrage; Rebate Calculations

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

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

(Section 36)

Use of Projects

The University agrees that at least ninety-five percent (95%) of the Projects shall be occupied or used only by or for students or members of the faculty or staff of the University, or, on a temporary basis, persons connected

with educational, research or other activities incidental to the operations of the University, subject to and consistent with the requirements of the Loan Agreement. Subject to the rights, duties and remedies of the Authority under the Loan Agreement, the University shall have sole and exclusive control of, possession of and responsibility for (i) the Projects; (ii) the operation of the Projects and supervision of the activities conducted therein or in connection with any part thereof; and (iii) the maintenance, repair and replacement of the Project.

(Section 20)

Covenant as to Insurance

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(Section 23)

Defaults and Remedies

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

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

the University defaults in the due and punctual performance of any other covenant in the Loan Agreement contained and such default continues for thirty (30) days after written notice requiring the same to be remedied shall have been given by the Authority or the Trustee, provided that, if in the determination of the Authority such default can not be corrected within such thirty (30) day period, it shall not constitute an Event of Default if corrective action is instituted by the University within such period and is diligently pursued until the default is corrected;

as a result of any default in payment or performance required of the University or any Event of Default under the Loan Agreement, whether or not declared, continuing or cured, the Authority shall be in default in the payment or performance of any of its obligations under the Resolution or an “Event of Default” (as defined in the Resolution) shall have been declared under the Resolution so long as such default or Event of Default shall remain uncured or the Trustee or Holders of the Bonds shall be seeking the enforcement of any remedy under the Resolution as a result thereof;

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

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

the charter of the University shall be suspended or revoked;

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

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

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

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

a final judgment for the payment of money which in the reasonable judgment of the Authority will materially adversely affect the rights of the Holders of the Bonds shall be rendered against the University and at any time after thirty (30) days from the entry thereof, (i) such judgment shall not have been discharged, or (ii) the

University shall not have taken and be diligently prosecuting an appeal therefrom or from the order, decree or process upon which or pursuant to which such judgment shall have been granted or entered, and shall not have caused, within thirty (30) days, the execution of or levy under such judgment, order, decree or process or the enforcement thereof to have been stayed pending determination of such appeal.

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

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

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

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

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

(e) to the extent permitted by law, (i) enter upon a Project and complete the construction of any Project in accordance with the plans and specifications with such changes therein as the Authority may deem appropriate and employ watchmen to protect the Projects, all at the risk, cost and expense of the University, consent to such entry being given by the University, (ii) at any time discontinue any work commenced in respect of the construction of any Project or change any course of action undertaken by the University and not be bound by any limitations or requirements of time whether set forth in the Loan Agreement or otherwise, (iii) assume any construction contract made by the University in any way relating to the construction of any Project and take over and use all or any part of the labor, materials, supplies and equipment contracted for by the University, whether or not previously incorporated into the construction of such Project, and (iv) in connection with the construction of any Project undertaken by the Authority pursuant to the provisions of paragraph (e) of subdivision 2 of Section 29 of the Loan Agreement, (x) engage builders, contractors, architects, engineers and others for the purpose of furnishing labor, materials and equipment in connection with the construction of such Project, (y) pay, settle or compromise all bills or claims which may become liens against a Project or against any moneys of the Authority applicable to the construction of a Project, or which have been or may be incurred in any manner in connection with completing the construction of a Project or for the discharge of liens, encumbrances or defects in the title to a Project or against any moneys of the Authority applicable to the construction of a Project, and (z) take or refrain from taking such action under the Loan Agreement as the Authority may from time to time determine. The University shall be liable to the Authority for all sums paid or incurred for construction of any Project whether the same shall be paid or incurred pursuant to the provisions of paragraph (e) of subdivision 2 of Section 29 of the Loan Agreement or otherwise, and all payments made or liabilities incurred by the Authority under the Loan Agreement of any kind whatsoever shall be paid by the University to the Authority upon demand. For the purpose of exercising the rights granted by this subparagraph during the term of the Loan Agreement, the University irrevocably constitutes and appoints the Authority its true and lawful attorney-in-fact to execute, acknowledge and deliver any instruments and to do and perform any acts in the name and on behalf of the University; and

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

At any time before the entry of a final judgment or decree in any suit, action or proceeding instituted on account of any Event of Default or before the completion of the enforcement of any other remedies under the Loan Agreement, the Authority may annul any declaration made or action taken pursuant to subdivision 2 of Section 29 of the Loan Agreement and its consequences if such Events of Default shall be cured. No such annulment shall extend or affect any subsequent default or impair any right consequent thereto.

(Section 29)

**SUMMARY OF CERTAIN PROVISIONS
OF THE RESOLUTION**

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SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

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

Resolution Constitutes a Contract

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

(Section 1.03)

Pledge of Revenues

The proceeds from the sale of any Bonds, the Revenues, the rights of the Authority to receive all payments to be made under the Loan Agreement that are to be deposited with the Trustee, and all funds and accounts, excluding the Arbitrage Rebate Fund, established under the Resolution and by any Series Resolution are pledged and assigned to the Trustee as security for the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Bonds and as security for the performance of any other obligation of the Authority under the Resolution and under any Series Resolution, all in accordance with the provisions thereof. The pledge made under the Resolution is valid, binding and perfected from the time when the pledge attaches and the proceeds from the sale of any Bonds, the Revenues, the right of the Authority to receive payments to be made under the Loan Agreement that are to be deposited with the Trustee, and all funds and accounts, excluding the Arbitrage Rebate Fund, established under the Resolution and by any Series Resolution shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid, binding and perfected as against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of whether such parties have notice thereof. No instrument by which such pledge is created nor any financing statement need be recorded or filed. The Bonds shall be special obligations of the Authority payable solely from and secured by a pledge of the proceeds from the sale of any Bonds, the Revenues, the right of the Authority to receive payments to be made under the Loan Agreement that are to be deposited with the Trustee, and all funds and accounts, excluding the Arbitrage Rebate Fund, established under the Resolution and by any Series Resolution, which pledge shall constitute a first lien thereon.

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

(Section 5.01)

Establishment of Funds and Accounts

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

Debt Service Fund

Arbitrage Rebate Fund

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

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

(Section 5.02)

Application of Bond Proceeds and Allocation Thereof

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

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

(Section 5.03)

Application of Moneys in the Construction Fund

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

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

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

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

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

Authorized Officer of the Authority which certificate may be delivered at any time after completion of such Project. Each such certificate shall identify the Project to which it relates, state that such Project has been completed substantially in accordance with the plans and specifications, if any, applicable to such Project and that such Project is ready for occupancy, and, in the case of a certificate of an Authorized Officer of the University, specify the date of completion.

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

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

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

(Section 5.04)

Deposit and Allocation of Revenues

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

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

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

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

(Section 5.05)

Debt Service Fund

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

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

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

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

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

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

(Section 5.06)

Arbitrage Rebate Fund

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

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

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

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

(Section 5.07)

Application of Moneys in Certain Funds for Retirement of Bonds

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

(Section 5.08)

Investment of Funds and Accounts Held by the Trustee

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

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

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

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

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

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

(Section 6.02)

Security for Deposits

All moneys held under the Resolution by the Trustee shall be continuously and fully secured, for the benefit of the Authority and the Holders of the Bonds, by direct obligations of the United States of America or obligations the principal of and interest on which are guaranteed by the United States of America of a market value equal at all times to the amount of the deposit so held by the Trustee; provided, however, (a) that if the securing of such moneys is not permitted by applicable law, then in such other manner as may then be required or permitted by applicable State or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds, and (b) that it shall not be necessary for the Trustee or any Paying Agent to give security for the deposit of any moneys with them pursuant to Section 5.06 or Section 12.01 of the Resolution and held in trust for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of or interest on any Bonds, or for the Trustee to give security for any moneys which shall be represented by obligations purchased or other investments made under the provisions of the Resolution as an investment of such moneys.

(Section 6.01)

Refunding Bonds and Additional Obligations

All or any portion of one or more Series of Refunding Bonds may be authenticated and delivered upon original issuance to refund all Outstanding Bonds, one or more Series of Outstanding Bonds, a portion of a Series of Outstanding Bonds or a portion of a maturity of a Series of Outstanding Bonds. The Authority may issue Refunding Bonds in an aggregate principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make such deposits required by the provisions of Section 2.04 the Resolution and of the Series Resolution authorizing such Series of Refunding Bonds or the Bond Series Certificate relating to such Series of Refunding Bonds.

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

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

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

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

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

The proceeds, including accrued interest, of Refunding Bonds shall be applied simultaneously with the delivery of such Refunding Bonds in the manner provided in or as determined in accordance with the Series Resolution authorizing such Refunding Bonds or the Bond Series Certificate relating to such Series of Refunding Bonds

The Authority reserves the right to issue bonds, notes or any other obligations or otherwise incur indebtedness pursuant to other and separate resolutions or agreements of the Authority, so long as such bonds, notes or other obligations are not, or such other indebtedness is not, entitled to a charge or lien or right prior or equal to the charge or lien created by the Resolution, or prior or equal to the rights of the Authority and Holders of Bonds provided by the Resolution or with respect to the moneys pledged under the Resolution unless expressly permitted by Section 7.06 of the Resolution.

(Sections 2.04 and 2.06)

Creation of Liens

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

(Section 7.06)

Tax Exemption; Rebate

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

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

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

(Section 7.14)

Events of Default

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

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

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

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

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

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

(Section 11.02)

Acceleration of Maturity

Upon the happening and continuance of any event of default specified in Section 11.02 of the Resolution, other than paragraph (c) thereof, then and in every such case the Trustee may, and upon the written request of the Holders of not less than twenty-five per cent (25%) in principal amount of the Outstanding Bonds shall, by a notice in writing to the Authority, declare the principal of and interest on all of the Outstanding Bonds to be due and payable. At the expiration of thirty (30) days from the giving of notice of such declaration, such principal and

interest shall become and be immediately due and payable, anything in the Resolution or in the Bonds or any Series Resolution to the contrary notwithstanding. At any time after the principal of the Bonds shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Resolution, the Trustee shall with the written consent of the Holders of not less than twenty-five per centum (25%) in principal amount of the Bonds not then due by their terms and then Outstanding and by written notice to the Authority, annul such declaration and its consequences if: (i) moneys shall have accumulated in the Debt Service Fund sufficient to pay all arrears of interest, if any, upon all of the Outstanding Bonds (except the interest accrued on such Bonds since the last interest payment date); (ii) moneys shall have accumulated and be available sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee and any Paying Agent; (iii) all other amounts then payable by the Authority under the Resolution and under each Series Resolution shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee; and (iv) every other default known to the Trustee in the observance or performance of any covenant, condition or agreement contained in the Resolution (other than a default in the payment of the principal of such Bonds then due only because of a declaration under Section 11.02 of the Resolution) or in the Bonds or any Series Resolution shall have been remedied to the satisfaction of the Trustee. No such annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

(Section 11.03)

Enforcement of Remedies

Upon the happening and continuance of any event of default specified in Section 11.02 of the Resolution, then and in every such case, the Trustee may proceed, and upon the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds, or, in the case of the happening and continuance of an event of default specified in paragraph (c) of Section 11.02 of the Resolution, upon the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of the Series affected thereby, shall, proceed (subject to the provisions in the Resolution), to protect and enforce its rights and the rights of the Holders of the Bonds under the laws of the State or under the Resolution or under any Series Resolution by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant contained under the Resolution and under any Series Resolution or in aid or execution of any power granted in the Resolution, or for an accounting against the Authority as if the Authority were the trustee of an express trust, or for the enforcement of any proper legal or equitable remedy as the Trustee shall deem most effectual to protect and enforce such rights.

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

(Section 11.04)

Consent of Facility Provider

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

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

(Section 10.04)

Bondholders' Direction of Proceedings

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

(Section 11.07)

Limitation of Rights of Individual Bondholders

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

(Section 11.08)

Modification and Amendment Without Consent

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

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

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

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

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

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

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

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

(Section 9.01)

Supplemental Resolutions Effective With Consent of Bondholders

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

(Section 9.02)

Powers of Amendment

Any modification or amendment 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 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 the Resolution. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond 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. 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. The Trustee may in its discretion determine whether or not in accordance with the foregoing provisions Bonds of any particular Series or maturity would be affected by any modification or amendment of the Resolution and any such determination shall be binding and conclusive on the Authority and all Holders of Bonds. The Trustee may receive an opinion of counsel, including an opinion of Bond Counsel, as conclusive evidence as to whether Bonds of any particular Series or maturity would be so affected by any such modification or amendment of the Resolution.

(Section 10.01)

Consent of Bondholders

The Authority may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the Resolution to take effect when and as provided in the Resolution. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto in form approved by the Trustee) together with a request to the Holders of Bonds for their consent thereto in form satisfactory to the Trustee, shall promptly after adoption be mailed by the Authority to the Holders of Bonds (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 provided in the Resolution). Such Supplemental Resolution shall not be effective unless and until (i) there shall have been filed with the Trustee (a) the written consents 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 provided in the Resolution. Each such consent shall be effective only if accompanied by proof of the holding 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 that the consents have been given by the Holders of the Bonds described in such certificate or certificates of the Trustee. Any such consent shall be binding upon the Holder of the Bonds giving such consent and, anything in the Resolution to the contrary notwithstanding, upon any subsequent Holder of such Bonds 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 Holder of such Bonds giving such consent or a subsequent Holder thereof by filing with the Trustee, prior to the time when the written statement of the Trustee is filed, such revocation in the manner permitted by the Resolution. 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 University a written statement that the Holders of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive that such consents have been so filed. At any time thereafter notice, stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by the Authority on a stated date, a copy of which is on file with the Trustee) has been consented to by the Holders of the required percentages of Bonds and will be effective as provided in the Resolution, shall be given to the Bondholders by the Authority by mailing such notice to the Bondholders (but failure to mail such notice to any particular Bondholder shall not prevent such Supplemental Resolution from becoming effective and binding as in this Section provided) 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 hereinabove 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. A transcript, consisting of the papers required or permitted by the Resolution to be filed with the Trustee, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon the Authority, the Trustee, each Paying Agent and the Holders of all Bonds at the expiration of thirty (30) days after the filing with the Trustee of the proof of the mailing of such last mentioned notice, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced within such thirty (30) day period; provided, however, that the Authority, the Trustee and any Paying Agent during such thirty

(30) day period and any such further period during which any such action or proceeding may be pending shall be entitled in their reasonable discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as they may deem expedient.

The purchasers of the Bonds of a Series, whether purchasing as underwriters, for resale or otherwise, upon such purchase and the remarketing agent for Option Bonds of a Series, upon a mandatory tender date for such Option Bonds, may consent to an amendment, change, modification or waiver of the Resolution with the same affect as a consent given by the Holders of such Bonds.

(Section 10.02)

Amendment of Loan Agreement

The Loan Agreement may not be amended, changed, modified, altered or terminated so as to adversely affect the interest of the Holders of Outstanding Bonds without the prior written consent of (a) the Holders of at least a majority in aggregate principal amount of the Bonds then Outstanding, or (b) in case less than all of the several Series of Bonds then Outstanding are affected by the modifications or amendments, the Holders of not less than a majority in aggregate principal amount of the Bonds of each Series so affected then Outstanding provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified Series remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under Section 7.11 of the Resolution; provided, further, that no such amendment, change, modification, alteration or termination will reduce the percentage of the aggregate principal amount of Outstanding Bonds the consent of the Holders of which is a requirement for any such amendment, change, modification, alteration or termination, or decrease the amount of any payment required to be made under the Loan Agreement or extend the time of payment thereof. The Loan Agreement may be amended, changed, modified or altered with the consent of the Trustee but without the consent of the Holders of Outstanding Bonds to provide necessary changes in connection with the issuance of Bonds, in connection with the acquisition, construction, reconstruction, rehabilitation and improvement of, or otherwise providing, furnishing and equipping any facility constituting a part of a Project or which may be added to a Project, to cure any ambiguity, to correct or supplement any provisions contained in the Loan Agreement which may be defective or inconsistent with any other provisions contained in the Loan Agreement or to provide other changes which will not adversely affect the interests of such Holders. Prior to execution by the Authority of any amendment, a copy thereof certified by an Authorized Officer of the Authority shall be filed with the Trustee.

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

For all purposes of Section 7.11 the Resolution, the Trustee shall be entitled to rely upon an opinion of counsel, which counsel shall be satisfactory to the Trustee with respect to whether any amendment, change, modification or alteration adversely affects the interests to any Holders of Bonds then outstanding in any material respect.

For purposes of Section 7.11 of the Resolution (i) the purchasers of the Bonds of a Series, whether purchasing as underwriters, for resale or otherwise, upon such purchase and (ii) the remarketing agent for Option Bonds of a Series, upon a mandatory tender date for such Option Bonds may consent to an amendment, change, modification or waiver of the Loan Agreement with the same affect as a consent given by the Holders of such Bonds.

(Section 7.11)

Upon receipt of the consent of the holders of a majority in aggregate principal amount of Outstanding Bonds, which shall be achieved upon the issuance of the Series 2009A Bonds, the fourth paragraph of Section 7.11 of the Resolution will be amended and restated in its entirety to read as follows:

For the purposes of Section 7.11 of the Resolution, the purchasers of the Bonds of a Series, whether purchasing as underwriters, for resale or otherwise, upon such purchase from the Authority, may consent to an amendment, change, modification, alteration or termination permitted by Section 7.11 of the Resolution in the manner provided therein, except that no proof of ownership shall be required, and with the same effect as a consent given by the Holder of such Bonds; provided, however, that, if such consent is given by a purchaser who is purchasing as an underwriter or for resale, the nature of the amendment, change, modification, alteration or termination and the provisions for the purchaser consenting thereto shall be described in the official statement, prospectus, offering memorandum or other offering document prepared in connection with the primary offering of the Bonds of such Series. 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 Section 7.11 of the Resolution if (i) the Trustee has mailed notice of such proposed amendment to the Holder of such Bonds in the same manner required by Article X of the Resolution for an amendment to the Resolution, (ii) on the 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 thereto; “*Auction Date*” means, with respect to particular any 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 thereto, 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.

(Paragraph four of Section 7.11, as proposed to be amended)

Defeasance

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

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

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

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

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

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

5. Anything in the Resolution to the contrary notwithstanding, any moneys held by the Trustee or any Paying Agent in trust for the payment and discharge of any Bonds or the interest thereon which remain unclaimed for three (3) years after the date when such moneys become due and payable, upon such Bonds, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee or Paying Agent at such date or for one (1) year after the date of deposit of such moneys if deposited with the Trustee or the Paying Agent after such date when all of the Bonds of such Series become due and payable, shall at the written request of the Authority, be repaid by the Trustee or Paying Agent to the Authority as its absolute property and free from trust, and the Trustee or Paying Agent shall thereupon be released and discharged with respect thereto and the Holders of such Bonds, shall look only to the Authority for the payment of such Bonds; provided, however, that, before being required to make any such payment to the Authority, the Trustee or Paying Agent may, at the expense of the Authority cause to be published in an Authorized Newspaper a notice that such moneys remain unclaimed and that, after a date named in such notice, which date shall be not less than thirty (30) nor more than sixty (60) days after the date of publication of such notice, the balance of such moneys then unclaimed shall be returned to the Authority.

(Section 12.01)

**FORM OF APPROVING
OPINION OF BOND COUNSEL**

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FORM OF APPROVING OPINION OF BOND COUNSEL

_____, 2009

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

Re: Cornell University Revenue Bonds, Series 2009A

Ladies and Gentlemen:

We have acted as bond counsel to the Dormitory Authority of the State of New York (the "Authority") in connection with the issuance by of the Authority of \$305,000,000 aggregate principal amount of Cornell University Revenue Bonds, Series 2009A (the "Bonds"), issued pursuant to the provisions of the Dormitory Authority Act, as amended, constituting Chapter 524 of the Laws of 1944 of New York, as amended (constituting Title 4 of Article 8 of the New York Public Authorities Law), and the Authority's Cornell University Revenue Bond Resolution, adopted January 26, 2000, as supplemented and amended (the "Resolution"), as amended and supplemented by the Series 2009A Resolution Authorizing Cornell University Revenue Bonds, Series 2009A In An Amount Not Exceeding \$375,000,000, adopted February 25, 2009 (the "Series 2009A Resolution"). The Resolution, together with the Series 2009A Resolution are herein collectively referred to as the "Resolutions." Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolutions.

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

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

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

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

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

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

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

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

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

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

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

6. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. We express no opinion as to whether some or all interest on the Bonds is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Interest on the Bonds is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

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