



DAC Bond

<b>\$71,500,000</b>	
<b>DORMITORY AUTHORITY OF THE STATE OF NEW YORK CORNELL UNIVERSITY REVENUE BONDS</b>	
<b>\$34,975,000</b>	<b>\$36,525,000</b>
<b>SERIES 2004A</b>	<b>SERIES 2004B</b>
<b>Date of Reoffering: January 14, 2016</b>	<b>Date of Reoffering: January 14, 2016</b>
<b>Due: July 1, 2033</b>	<b>Due: July 1, 2033</b>
<b>CUSIP <sup>(1)</sup> 64983MF37</b>	<b>CUSIP <sup>(1)</sup> 64983MF45</b>
<b>Price 100% plus accrued interest</b>	<b>Price 100% plus accrued interest</b>

**Payment and Security:** The Cornell University Revenue Bonds, Series 2004A (the "Series 2004A Bonds") and Cornell University Revenue Bonds, Series 2004B (the "Series 2004B Bonds" and together with the Series 2004A Bonds, the "Series 2004 Bonds") are special obligations of the Dormitory Authority of the State of New York ("DASNY"), payable solely from, and secured by a pledge of (i) certain payments to be made under the Loan Agreement dated as of January 26, 2000, as supplemented (the "Loan Agreement"), between Cornell University (the "University") and DASNY, 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 DASNY's Cornell University Revenue Bond Resolution, adopted January 26, 2000, as amended and supplemented (the "Resolution"), and in the case of the Series 2004A Bonds, Cornell University Series 2004A Resolution Authorizing Series 2004A Bonds, adopted March 24, 2004 (the "Series 2004A Resolution"), and in the case of the Series 2004B Bonds, Cornell University Series 2004B Resolution Authorizing Series 2004B Bonds, adopted March 24, 2004 (the "Series 2004B Resolution" and together with the Series 2004A Resolution, the "Series Resolutions").

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 DASNY 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 2004 Bonds.

**The Series 2004 Bonds are not a debt of the State of New York nor is the State liable thereon. DASNY has no taxing power.**

**Description:** Each Series of the Series 2004 Bonds is currently supported by a Liquidity Facility in the form of a standby bond purchase agreement provided by HSBC Bank USA, National Association (each, an "Existing Liquidity Facility"). On January 14, 2016 (the "Substitution Date"), each Series of the Series 2004 Bonds will be mandatorily tendered and reoffered, The Bank of New York Mellon will deliver a substitute Liquidity Facility for each Series of the Series 2004 Bonds in the form of a standby bond purchase agreement, and each Existing Liquidity Facility will terminate. The Series 2004 Bonds will be reoffered as Variable Interest Rate Bonds and Option Bonds and as fully registered Bonds in denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof. For the period commencing on the Substitution Date, the Series 2004 Bonds will bear interest at their respective Initial Rates for their respective Initial Rate Periods through and including the Wednesday following their date of delivery. Thereafter, the Series 2004 Bonds will bear interest at Weekly Rates for Weekly Rate Periods until converted to another Rate Period. Each Weekly Rate will be determined on the Business Day immediately preceding the first day of each Weekly Rate Period, payable in arrears, on the first Business Day of each calendar month, commencing on February 1, 2016, for as long as the Series 2004 Bonds bear interest at a Weekly Rate.

The method of determining the interest rate to be borne by the Series 2004 Bonds may be changed to other Rate Modes at the times and in the manner set forth herein. Unless otherwise set forth herein, the descriptions of the Series 2004 Bonds and the related documents included herein generally relate only to the terms and provisions which are applicable while the Series 2004 Bonds bear interest at a Weekly Rate.

The Series 2004 Bonds have been issued 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 2004 Bonds will be made in book-entry form (without certificates). So long as DTC or its nominee is the registered owner of the Series 2004 Bonds, payments of the principal, Purchase Price and Redemption Price of and interest on the Series 2004 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 2004 BONDS - Book-Entry Only System" herein.

The Bank of New York Mellon, New York, New York is the Trustee and Tender Agent for the Series 2004 Bonds.

**Tenders for Purchase and Redemption:** *The Series 2004 Bonds are subject to tender for purchase and optional redemption prior to maturity as more fully described herein.*

**Tax Exemption:** *In connection with the original issuance and delivery of the Series 2004 Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel, delivered its opinion dated the date of issuance of the Series 2004 Bonds to the effect that, based on an analysis of then-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 2004 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Bond Counsel also opined that interest on the Series 2004 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observed that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel also opined that interest on the Series 2004 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 expressed no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2004 Bonds. See "PART 8 - TAX MATTERS" herein. No opinion as to the current tax status of the Bonds will be delivered in connection with the reoffering of the Series 2004 Bonds.*

*The Series 2004 Bonds will be reoffered on or about January 14, 2016.*

**BofA Merrill Lynch**

January 7, 2016

<sup>1</sup> A CUSIP number has been assigned by an organization not affiliated with DASNY or the University and is included solely for the convenience of the Holders of the Series 2004 Bonds. Neither DASNY nor the University is responsible for the selection or uses of this CUSIP number, nor is any representation made as to its correctness on the Series 2004 Bonds or as indicated above.

No dealer, broker, salesperson or other person has been authorized by DASNY, the University or the Remarketing Agent to give any information or to make any representations with respect to the Series 2004 Bonds, other than the information and representations contained in this Reoffering Circular. If given or made, any such information or representations must not be relied upon as having been authorized by DASNY, the University or the Remarketing Agent.

This Reoffering Circular does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be a sale of the Series 2004 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 Reoffering Circular has been supplied by the University and other sources that DASNY believes are reliable. Neither DASNY nor the Remarketing Agent guarantee the accuracy or completeness of such information, and such information is not to be construed as a representation of DASNY or of the Remarketing Agent.

The University has reviewed the parts of this Reoffering Circular describing the University and Appendix B. It is a condition to the sale of and the delivery of the Series 2004 Bonds that the University certify to the Remarketing Agent and DASNY that, as of the date of this Reoffering Circular and of delivery of the Series 2004 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 Reoffering Circular.

References in this Reoffering Circular to the Act, the Resolution, the Series Resolutions and the Loan Agreement do not purport to be complete. Refer to the Act, the Resolution, the Series Resolutions and the Loan Agreement for full and complete details of their provisions. Copies of the Resolution, the Series Resolutions and the Loan Agreement are on file with DASNY and the Trustee.

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

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

IN CONNECTION WITH THE REOFFERING OF THE SERIES 2004 BONDS, THE REMARKETING AGENT MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2004 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**  
**GERRARD P. BUSHELL – PRESIDENT**

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

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**REOFFERING CIRCULAR RELATING TO**  
**\$71,500,000**  
**DORMITORY AUTHORITY OF THE STATE OF NEW YORK**  
**CORNELL UNIVERSITY REVENUE BONDS**

**\$34,975,000**  
**SERIES 2004A**

**\$36,525,000**  
**SERIES 2004B**

**PART 1 – INTRODUCTION**

**Purpose of the Reoffering Circular**

The purpose of this Reoffering Circular, including the cover page and appendices, is to provide information about DASNY and the University, in connection with the reoffering of \$34,975,000 principal amount of DASNY's Cornell University Revenue Bonds, Series 2004A (the "Series 2004A Bonds") and \$36,525,000 principal amount of DASNY's Cornell University Revenue Bonds, Series 2004B (the "Series 2004B Bonds" and together with the Series 2004A Bonds, the "Series 2004 Bonds").

On May 27, 2004, \$45,000,000 aggregate principal amount of Series 2004A Bonds and \$47,100,000 aggregate principal amount of Series 2004B Bonds were issued by DASNY pursuant to the Resolution, the respective Series Resolutions and the Act. Proceeds from both Series of the Series 2004 Bonds were used to refinance a portion of DASNY's outstanding Commercial Paper Notes (Cornell University 1998 Issue). On April 8, 2008, \$44,050,000 then outstanding principal amount of Series 2004A Bonds were reoffered and on April 10, 2008, \$46,100,000 then outstanding principal amount of Series 2004B Bonds were reoffered. From such respective reoffering dates, the Series 2004 Bonds have borne interest at a Weekly Rate.

A Liquidity Facility in the form of a standby bond purchase agreement delivered by HSBC Bank USA, National Association currently supports each Series of the Series 2004A Bonds (each, an "Existing Liquidity Facility"). Pursuant to the terms of the Series 2004A Resolution and the Series 2004B Resolution, respectively, if certain conditions are met on January 14, 2016 (the "Substitution Date"), The Bank of New York Mellon (the "Bank") will deliver a substitute Liquidity Facility for each Series of the Series 2004 Bonds in the form of a standby bond purchase agreement and each Existing Liquidity Facility will terminate. On the Substitution Date, the \$34,975,000 aggregate principal amount of Outstanding Series 2004A Bonds will be mandatorily tendered by the Holders thereof and the \$36,525,000 aggregate principal amount of Outstanding Series 2004B Bonds will be mandatorily tendered by the Holders thereof, each for purchase at a price of par plus accrued interest to the Substitution Date.

The following is a brief description of certain information concerning the Series 2004 Bonds, DASNY and the University. A more complete description of such information and additional information that may affect decisions to invest in the Series 2004 Bonds is contained throughout this Reoffering Circular, which should be read in its entirety. Certain terms used in this Reoffering Circular are defined in Appendix A hereto. Unless otherwise set forth herein, the descriptions of the Series 2004 Bonds and the related documents included herein generally relate only to the terms and provisions which are applicable while the Series 2004 Bonds bear interest at a Weekly Rate.

## **Authorization of Issuance**

The Series 2004 Bonds were issued pursuant to the Resolution, the respective Series Resolutions and the Act. In addition to the Series 2004 Bonds, the Resolution authorizes the issuance of other Series of Bonds to pay other Costs of one or more Projects, to pay certain Costs of Issuance of such Series of Bonds and to refund all or a portion of Outstanding Bonds or other notes or bonds of DASNY 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 2004 BONDS.”

## **DASNY**

DASNY is a public benefit corporation of the State, created for the purpose of financing and constructing a variety of public-purpose facilities for certain educational and not-for-profit institutions and to purchase and make certain loans in connection with its student loan program. See “PART 5 - DASNY.”

## **The University**

Cornell University (“Cornell” or the “University”) is a private research university chartered and operated under the laws of the state of New York (“the State”). The University comprises colleges and schools in Ithaca, New York (seven undergraduate units and four graduate and professional units) and New York City (two medical graduate and professional units as part of Weill Cornell Medicine and Cornell Tech offering graduate programs in applied sciences, including degrees offered jointly with the Technion - Israel Institute of Technology). See “PART 4 - THE UNIVERSITY” and “Appendix B - Financial Statements of Cornell University (With Independent Auditors’ Report Thereon).”

## **The Series 2004 Bonds**

The Series 2004 Bonds are being reoffered as Variable Interest Rate Bonds. Each Series of the Series 2004 Bonds will bear interest from the Substitution Date at their respective Initial Rates for their respective Initial Rate Periods ending on the Wednesday following the Substitution Date and thereafter will bear interest in the Weekly Rate Mode until converted to another Rate Mode. The Series 2004 Bonds will mature on July 1, 2033.

The Weekly Rate will be determined on the Business Day preceding the beginning of each Weekly Rate Period and will be paid on the first Business Day of each month. At the election of DASNY with the consent of the University, the Series 2004 Bonds, or a portion thereof, may be converted to bear interest in another Rate Mode, including the Fixed Rate Mode, determined and payable as described in the Bond Series Certificates. See “PART 3 - THE SERIES 2004 BONDS.”

The Series 2004 Bonds are subject to tender for purchase at the option of the Holders on any Business Day during a Weekly Rate Period upon prior notice as described herein, and mandatorily upon conversion to another Rate Mode or upon the expiration or termination of any Liquidity Facility then in effect, in each case at a Purchase Price equal to the principal amount of the Series 2004 Bonds to be purchased, plus, except as described herein, accrued interest, if any, to the Purchase Date. Such purchases are payable from proceeds of the remarketing of the Series 2004 Bonds, from moneys obtained under the Liquidity Facility then in effect for the Series 2004 Bonds and from moneys furnished by or on behalf of the University in accordance with the Resolution and Loan Agreement. Merrill Lynch, Pierce, Fenner & Smith Incorporated has been appointed as the Remarketing Agent for the Series 2004 Bonds (the “Remarketing Agent”).

For a more complete description of the Series 2004 Bonds, the determination of interest rates, conversion to another Rate Mode and optional and mandatory tenders, see “PART 3 - THE SERIES 2004 BONDS.”

## **Payment of the Series 2004 Bonds**

The Series 2004 Bonds and all other Bonds which have been and may be issued under the Resolution are special obligations of DASNY 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 2004 BONDS - Payment of the Series 2004 Bonds.”

## **Security for the Series 2004 Bonds**

The Series 2004 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 DASNY 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 DASNY 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 2004 BONDS - Security for the Series 2004 Bonds and Issuance of Additional Bonds" and "PART 4 - THE UNIVERSITY - ANNUAL FINANCIAL STATEMENT INFORMATION - Indebtedness."

The Series 2004 Bonds are not a debt of the State nor is the State liable thereon. DASNY has no taxing power. Neither the State nor DASNY has any responsibility to make payments with respect to the Series 2004 Bonds except for DASNY'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.

## **Liquidity Facility**

While in the Weekly Rate Mode, the Series 2004 Bonds are subject to optional and mandatory tender for purchase as described herein. The Bank has committed to deliver a substitute Liquidity Facility for each Series of the Series 2004 Bonds, in the form of a standby bond purchase agreement, pursuant to which, and subject to certain conditions precedent, the Bank will be obligated to purchase Series 2004 Bonds of the applicable Series tendered for purchase pursuant to the applicable Bond Series Certificate and not remarketed. Each such substitute Liquidity Facility is scheduled to terminate on January 14, 2019 unless it is renewed or extended or terminated pursuant thereto. Under certain circumstances, the Bank's obligations under a Liquidity Facility may be suspended or terminated by the Bank at any time without notice. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2004 BONDS - Liquidity Facility" and "Appendix F - The Bank."

## **PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2004 BONDS**

*Set forth below is a narrative description of certain contractual provisions relating to the source of payment of and security for the Series 2004 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 applicable Series Resolution and the applicable Bond Series Certificate. Copies of the Loan Agreement, the Resolution, the applicable Series Resolution and the applicable Bond Series Certificate are on file with DASNY and the Trustee. See also "Appendix C - Summary of Certain Provisions of the Loan Agreement" and "Appendix D - Summary of Certain Provisions of the Resolution" for a more complete statement of the rights, duties and obligations of the parties thereto.*

## **Payment of the Series 2004 Bonds**

The Series 2004 Bonds and all other Bonds which have been and may be issued under the Resolution will be special obligations of DASNY. The principal, Sinking Fund Installments and Redemption Price of and interest on the Series 2004 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 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 Purchase Price of the Series 2004 Bonds is payable solely from (i) proceeds of remarketing of the Series 2004 Bonds, (ii) moneys obtained under the Liquidity Facility, if any, for a Series of the Series 2004 Bonds then in effect and (iii) payments to be made by the University pursuant to the Loan Agreement on account of the Purchase Price of the Series 2004 Bonds.

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 and Redemption Price of and interest on Outstanding Series 2004 Bonds. Payments made by the University in respect of interest on Variable Interest Rate Bonds (other than Variable Interest Rate Bonds in the Fixed Rate Mode) are to be made on the 20<sup>th</sup> day of the month prior to an interest payment date, in an amount equal to the estimated 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 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 2004 BONDS - Redemption Provisions."

DASNY has directed, and the University has agreed, to make such payments directly to the Trustee. Such payments are to be applied by the Trustee to the payment of the principal, Sinking Fund Installments and Redemption Price of and interest on the Series 2004 Bonds.

The Loan Agreement also requires the University to pay the Purchase Price of Tendered Bonds that have not been remarketed and for the payment of which moneys have not been received from any Liquidity Facility then in effect. Payments made by the University or a Liquidity Facility for payment of the Purchase Price of Tendered Bonds, as well as the Remarketing Proceeds of Tendered Bonds, are to be made to the Tender Agent and deposited in the Purchase Account. The Purchase Account, all moneys therein and investments thereof are held in trust for, and irrevocably pledged to, the Holders of Tendered Bonds for payment of the Purchase Price of Tendered Bonds.

### **Liquidity Facility**

Pursuant to the Resolution, the University is not required to provide a Liquidity Facility. However, the University has elected to provide a substitute Liquidity Facility for each Series of Series 2004 Bonds on the Substitution Date. At any time, subject to the terms and provisions set forth in the respective Liquidity Facility, the University may either terminate the Liquidity Facility then in effect and determine not to provide a Liquidity Facility for one or both Series of the Series 2004 Bonds or may provide a substitute Liquidity Facility for one or both Series of the Series 2004 Bonds. The affected Series 2004 Bonds will be subject to mandatory tender upon either of such events.

#### *The Substitute Liquidity Facilities*

The following is a summary of certain provisions of the substitute liquidity facilities (each a "Substitute Liquidity Facility" and collectively, the "Substitute Liquidity Facilities") with respect to each Series of Series 2004 Bonds to be entered into among the University, the Bank and the Trustee. The following summary does not purport to be a full and complete statement of the provisions of each Substitute Liquidity Facility. The Substitute Liquidity Facility for each Series of Series 2004 Bonds should be read in full for a complete understanding of all the terms and provisions thereof. Copies of each Substitute Liquidity Facility are on file with the Trustee. For certain information regarding the Bank, see "APPENDIX F - THE BANK."

The Bank agrees under each Substitute Liquidity Facility, on the terms and conditions set forth therein, to purchase, at the Purchase Price (as defined in such Substitute Liquidity Facility), Series 2004 Bonds of the applicable Series bearing interest at the Weekly Rate and which are not Series 2004 Bonds owned by or on behalf of, or for the benefit of or for the account of, the University or the Bank, which are tendered pursuant to an optional or mandatory tender ("Tendered Bonds") pursuant to certain provisions of the Resolution and not remarketed. See "PART 3 - THE SERIES 2004 BONDS." The amount of the Bank's commitment under each Substitute Liquidity Facility is initially equal to the principal amount of the applicable Series of the Series 2004 Bonds and up to 35 days of interest thereon at a maximum rate of 15% per annum. The amount of the commitment under the Substitute Liquidity Facility may be adjusted as provided in each Substitute Liquidity Facility. Each Substitute Liquidity Facility is scheduled to terminate on January 14, 2019 unless it is extended as described therein or unless terminated as described below. If requested by the University, either Substitute Liquidity Facility may be extended in the sole discretion of the Bank. Failure to extend a Substitute Liquidity Facility will result in a mandatory tender of the applicable Series of the Series 2004 Bonds as described under the heading "PART 3 - THE SERIES 2004 BONDS - General - Mandatory Tender."

If Tendered Bonds of a particular Series are not remarketed by the Remarketing Agent on the day such Series 2004 Bonds are to be tendered, the Trustee will give the Bank notice as provided in the applicable Substitute

Liquidity Facility. Upon receipt of such notice, and upon the Bank's determination that the conditions precedent to purchase specified in such Substitute Liquidity Facility are satisfied, the Bank will transmit to the Trustee in immediately available funds an amount equal to the aggregate purchase price of such Tendered Bonds for which remarketing proceeds are not available as requested by the Trustee. Tendered Bonds purchased with such funds provided by the Bank will be registered in the name of the Bank and shall be held by the Trustee for the benefit of the Bank.

EACH SUBSTITUTE LIQUIDITY FACILITY IS AVAILABLE TO FUND PURCHASES OF THE SERIES 2004 BONDS COVERED THEREBY WHICH ARE TENDERED BUT FOR WHICH REMARKETING PROCEEDS ARE NOT AVAILABLE. EACH SUBSTITUTE LIQUIDITY FACILITY DOES NOT SUPPORT THE PAYMENT OF PRINCIPAL OF AND PREMIUM, IF ANY, AND INTEREST ON THE SERIES OF THE SERIES 2004 BONDS COVERED THEREBY AS THE SAME BECOMES DUE AND PAYABLE. UNDER CERTAIN CIRCUMSTANCES DESCRIBED HEREIN, PURCHASES WILL NOT BE MADE UNDER EACH SUBSTITUTE LIQUIDITY FACILITY AND, THEREFORE, FUNDS MAY NOT BE AVAILABLE TO PURCHASE TENDERED BONDS.

The Substitute Liquidity Facilities contain certain covenants on the part of the University. Each Substitute Liquidity Facility provides that, without the prior written consent of the Bank, the University will not agree or consent to any amendment, supplement or modification of, or any waiver under, any Related Document if such amendment, supplement, modification or waiver would adversely affect the Bank. As used in the Substitute Liquidity Facilities, the term "Related Documents" means the applicable Substitute Liquidity Facility, the Resolution, the applicable Series Resolution, the Loan Agreement, the Remarketing Agreement, this Reoffering Circular, the applicable Series of the Series 2004 Bonds and certain other agreements relating thereto.

*Events of Default Under Substitute Liquidity Facility*

The following are "Events of Default" under each Substitute Liquidity Facility:

(a) any material representation or warranty made by the University in such Substitute Liquidity Facility (or incorporated therein by reference) or in any of the other Related Documents or in any certificate, document, instrument, opinion or financial or other statement contemplated by or made or delivered pursuant to or in connection with such Substitute Liquidity Facility or with any of the other Related Documents, shall prove to have been incorrect, incomplete or misleading in any material respect when made;

(b) any "event of default" shall have occurred under any of the Related Documents (as defined respectively therein);

(c) failure by the University to pay to the Bank the principal amount of or accrued interest on any Purchased Bonds as described in such Substitute Liquidity Facility when and as due thereunder (other than an acceleration relating to remedies described below under the caption "*Consequences of Events of Default*");

(d) failure by the University to pay to the Bank any other obligations when and as due under such Substitute Liquidity Facility;

(e) principal of or interest on the applicable Series of the Series 2004 Bonds shall not be paid by the University when due, whether on any regularly scheduled interest payment date, at maturity, upon redemption or acceleration (other than an acceleration relating to the remedies described below under the caption "*Consequences of Events of Default*"), or otherwise;

(f) default in the due observance or performance by the University of certain covenants set forth (or incorporated by reference) in such Substitute Liquidity Facility;

(g) default in the due observance or performance by the University of any other term, covenant or agreement set forth (or incorporated by reference) in such Substitute Liquidity Facility and the continuance of such default for 30 days after the occurrence thereof;

(h) any material provision of such Substitute Liquidity Facility or any of the Related Documents with respect to the payment of principal of or interest on the applicable Series of the Series 2004 Bonds shall cease to be valid and binding as a result of a non-appealable judgment by any court of competent jurisdiction, or the University shall contest in writing any such provision, or the University shall deny in writing that it has any or further liability under the Substitute Liquidity Facility or any of the other Related Documents;

(i) the University shall (i) have commenced against it, any case, proceeding or other action of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts which (x) results in an order for such relief or in the appointment of a receiver or similar official or (y) remains undismissed, undischarged or unbonded for a period of sixty (60) days, (ii) not pay, or admit in writing its inability to pay, its debts related to principal and interest payments as they become due or suspend payment of such debts, (iii) make an assignment for the benefit of creditors, (iv) apply for, seek, consent to, or acquiesce in, the appointment of a receiver, custodian, trustee, conservator, liquidator or similar official for it or any substantial part of its property, or a receiver, custodian, trustee, conservator, liquidator or similar official shall be appointed for the University or any substantial part of the Property of the University, and such appointment continues undischarged or any such proceeding continues undismissed or unstayed for a period of sixty (60) or more days, (v) institute any proceeding seeking to have entered against it an order for relief under the United States Bankruptcy Code, as amended, or any other bankruptcy or similar law, to adjudicate it insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, marshalling of assets, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or fail to file an answer in such proceeding or other pleading denying the material allegations of any such proceeding filed against it, (vi) fail to contest during a period of sixty (60) or more days any appointment or proceeding described in clause (iv) of this subsection (i) below, or (vii) take any corporate action to authorize or consent to any of the actions set forth above in this subsection (i);

(j) (i) default shall occur in any payment of principal of or premium, if any, or interest on any indebtedness for borrowed money evidenced by bonds, notes or similar instruments or issued under any indenture or bond resolution of the University issued on a parity with, or senior to, the Series 2004 Bonds (including any such Bonds purchased by the Bank pursuant to either Substitute Liquidity Facility) and secured on a basis senior to or on a parity with the Series 2004 Bonds (“Parity Obligations”) in an aggregate principal amount in excess of \$15,000,000, or (ii) default shall occur on any Parity Obligations of the University in an aggregate principal amount in excess of \$15,000,000 and such default shall continue for a period of time sufficient to permit the acceleration of the maturity of any such Parity Obligations (whether or not such maturity is in fact accelerated) or any such Parity Obligations shall not be paid when and as due (whether by lapse of time, acceleration or otherwise);

(k) any final, non-appealable judgment or judgments for the payment of money in an aggregate amount in excess of \$15,000,000 shall be entered or filed against the University and remain unvacated, unbonded or unstayed for a period of sixty (60) days;

(l) the University or any member of its Controlled Group shall fail to pay when due an amount or amounts aggregating in excess of \$15,000,000 which it shall have become liable to pay to the PBGC or to a Plan under Title IV of ERISA; or notice of intent to terminate a Plan or Plans having aggregate Unfunded Vested Liabilities in excess of \$15,000,000 (collectively, a “Material Plan”) shall be filed under Title IV of ERISA by the University or any other member of its Controlled Group, any plan administrator or any combination of the foregoing; or the PBGC shall institute proceedings under Title IV of ERISA to terminate or to cause a trustee to be appointed to administer any Material Plan or a proceeding shall be instituted by a fiduciary of any Material Plan against the University or any member of its Controlled Group to enforce section 515 or 4219(c)(5) of ERISA and such proceeding shall not have been dismissed within thirty (30) days thereafter; or a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any Material Plan must be terminated;



(m) (i) principal of or interest on the other Series of Series 2004 Bonds or any other bonds issued on a parity basis with, or senior to, the Series 2004 Bonds subject to any other agreement between the University and the Bank shall, in either case, not be paid when due, whether on any regularly scheduled interest payment date, at maturity, upon redemption or acceleration, or otherwise (but excluding any acceleration of such bonds pursuant to the terms of the agreement between the University and the Bank relating to such bonds), or (ii) any other default shall occur and be continuing under the other Substitute Liquidity Facility or any other credit agreement or liquidity facility on a parity basis with, or senior to, the Series 2004 Bonds between the University and the Bank;

(n) Moody's and S&P shall have lowered their respective ratings of the University's long-term unenhanced Indebtedness which is on a parity basis with, or is senior to, the Series 2004 Bonds to below "Baa3" and "BBB-" (or to the equivalent rating then in effect with respect to Moody's and/or S&P), respectively, or shall have suspended or withdrawn such ratings for credit-related reasons; or

(o) a ruling, assessment, notice of deficiency or technical advice by the Internal Revenue Service shall be rendered to the effect that interest on the Series 2004 Bonds is includable in the gross income of the holders or beneficial owners of such Series 2004 Bonds for federal income tax purposes and either (i) DASNY or the University, after being notified by the Internal Revenue Service, or any such holder or beneficial owner of Series 2004 Bonds, as applicable, shall not challenge such ruling, assessment, notice or advice in a court of law during the period within which such challenge is permitted or (ii) a court of law shall make a determination, not subject to appeal or review by another court of law, that such ruling, assessment, notice or advice is correctly rendered.

#### *Consequences of Events of Default*

Upon the occurrence of any Event of Default under either Substitute Liquidity Facility described in paragraphs (c), (e), (h), (i), (j)(i), (k), (m)(i) or (n) above, the Bank's obligation to purchase Series 2004 Bonds of the applicable Series under such Substitute Liquidity Facility shall immediately terminate without notice or other action on the part of the Bank and its commitment to purchase Tendered Bonds under such Substitute Liquidity Facility shall immediately terminate and all accrued fees and other amounts due and outstanding under such Substitute Liquidity Facility shall be immediately due and payable.

In addition to the rights and remedies set forth in the immediately preceding paragraph, upon the occurrence of any other Event of Default under either Substitute Liquidity Facility, the Bank may, in its sole and absolute discretion, terminate its obligation to purchase Tendered Bonds under such Substitute Liquidity Facility by written notice to the Tender Agent (such termination and reduction to be effective thirty (30) days after such notice is received by the Tender Agent), specifying the applicable mandatory tender date, which is at least five days (or if such fifth day is not a Business Day, the preceding Business Day) prior to the date when the Bank will terminate its stated obligations thereunder, and declare that all accrued fees and other amounts due and outstanding under such Substitute Liquidity Facility shall be immediately due and payable.

In addition to the rights and remedies set forth in above, upon the occurrence of any Event of Default under either Substitute Liquidity Facility, the Bank may take any other action or remedies available to it under such Substitute Liquidity Facility, the Related Documents or otherwise pursuant to law or equity in order to enforce the rights of the Bank thereunder, under the Related Documents or otherwise, provided, however, that the Bank shall not have the right to terminate its obligation to purchase unremarketed Series 2004 Bonds, to declare any amount due under the Substitute Liquidity Facilities due and payable, or to accelerate the maturity date of any Series 2004 Bonds except as provided in the Substitute Liquidity Facilities and in the Resolution.

#### *Termination of a Substitute Liquidity Facility*

The obligation of the Bank to purchase Series 2004 Bonds of a particular Series under either Substitute Liquidity Facility shall expire on the earliest of (i) January 14, 2019 (subject to extension as provided in either Substitute Liquidity Facility), (ii) the date on which no Series 2004 Bonds of the applicable Series covered by such Substitute Liquidity Facility are Outstanding, (iii) the date on which the Available Commitment is voluntarily terminated by the University, (iv) the date on which the Bank's obligation to purchase Tendered Bonds has been terminated as described under "*Consequences of Event of Default*" described above, (v) the Bank's close of business

on the date on which the interest rate on all Series 2004 Bonds of the applicable Series covered by such Substitute Liquidity Facility is converted to an Auction Rate, Flexible Rate, Long-Term Rate or Fixed Rate, so long as the Bank has honored any purchase of Series 2004 Bonds of such Series resulting from such conversion or change in accordance with the terms of such Substitute Liquidity Facility and the Resolution, or (vi) the Bank's close of business on the date on which a substitute Liquidity Facility is issued pursuant to the terms of the Resolution, so long as the Bank has honored any purchase of Series 2004 Bonds of such Series resulting from such substitution in accordance with the terms of this such Substitute Liquidity Facility and the Resolution.

#### *Substitute Liquidity Facility*

Subject to any limitations contained in any Liquidity Facility then in effect or the agreement with the Facility Provider related to such Liquidity Facility, the University may replace the Liquidity Facility for one or both Series of the Series 2004 Bonds with a substitute Liquidity Facility. A Liquidity Facility is not required to be replaced if the ratings on the applicable Series of the Series 2004 Bonds are reduced, suspended or withdrawn by Moody's or S&P. See "PART 3 - THE SERIES 2004 BONDS - General - Mandatory Tender."

#### **Security for the Series 2004 Bonds**

The Series 2004 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 2004 Bonds are not a debt of the State nor is the State liable thereon. DASNY has no taxing power. Neither the State nor DASNY has any responsibility to make payments with respect to the Series 2004 Bonds except for DASNY'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 DASNY, 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 DASNY 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 4 - 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 DASNY 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) DASNY 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 DASNY 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 DASNY 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 DASNY 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 DASNY, 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 DASNY'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 DASNY'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**

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 issued on behalf of the University. The Bonds which may be issued include Fixed Interest Rate Bonds, Capital Appreciation Bonds, Deferred Income Bonds, Option Bonds and Variable Interest Rate Bonds. There is no limit on the amount of additional Bonds that may be issued under the Resolution or the amount of indebtedness that may be otherwise incurred by the University.

#### **General**

The Series 2004 Bonds are not a debt of the State nor is the State liable thereon. DASNY has no taxing power. DASNY has never defaulted in the timely payment of principal or sinking fund installments of or interest on its bonds or notes. See "PART 5 - DASNY."

### **PART 3 - THE SERIES 2004 BONDS**

*Set forth below is a narrative description of certain provisions relating to the Series 2004 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 DASNY and the Trustee. See also "Appendix C - Summary of Certain Provisions of the Loan Agreement" and "Appendix D - Summary of Certain Provisions of the Resolution" for a more complete description of certain provisions of the Series 2004 Bonds.*

#### **General**

Each Series of the Series 2004 Bonds were issued pursuant to the Resolution and will bear interest from and after the Substitution Date at the Weekly Rate, which is a variable rate of interest determined by the Remarketing Agent on each Business Day next preceding the beginning of each Weekly Rate Period, unless and until such Series of the Series 2004 Bonds is converted to bear interest at the Auction Rate, Flexible Rate, Long-Term Rate or Fixed Rate, as set forth herein. All of the Bonds of each Series of the Series 2004 Bonds must bear interest at the same rate mode, but each Series may be converted to a different rate mode independently of the other Series.

The Series 2004 Bonds will be registered in the name of and held by Cede & Co. or such other name as may be requested by an authorized representative of DTC, as nominee for The Depository Trust Company, New York, New York (“DTC”). So long as DTC, Cede & Co. (or such other nominee), is the registered owner of the Series 2004 Bonds, payments of the principal, Purchase Price and Redemption Price of and interest on the Series 2004 Bonds will be made by the Trustee directly to Cede & Co. (or such other nominee). 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 2004 Bonds is the responsibility of the DTC Participants and the Indirect Participants (as hereinafter defined). See “BOOK-ENTRY ONLY SYSTEM.”

If the Series 2004 Bonds are not registered in the name of DTC, Cede & Co. (or such other nominee), the principal, Purchase Price or Redemption Price of Series 2004 Bonds will be payable at the principal corporate trust office of The Bank of New York Mellon, New York, New York, as Trustee, Paying Agent and Tender Agent upon presentation and surrender of such Series 2004 Bonds to it. Interest on the Series 2004 Bonds will be payable in immediately available funds by check or draft or, at the request of a Holder, by wire transfer to the wire transfer address within the continental United States to which such Holder has, prior to the applicable Record Date, directed the Trustee to wire such interest. The Record Date is the close of business on the Business Day immediately preceding each Interest Payment Date.

**This Reoffering Circular in general describes the Series 2004 Bonds only while the Series 2004 Bonds bear interest at a Weekly Rate.**

**Description of the Series 2004 Bonds**

The Series 2004 Bonds are fully registered Bonds and are available in denominations of \$100,000 and any integral multiple of \$5,000 in excess of \$100,000 (an “Authorized Denomination”). The Series 2004 Bonds may be exchanged for other Series 2004 Bonds of any other Authorized Denominations upon payment of a charge sufficient to reimburse DASNY or the Trustee for any tax, fee or other governmental charge required to be paid with respect to such exchange and for the cost of preparing the new bond, and otherwise as provided in the Resolution. DASNY will not be obligated to make any exchange or transfer of Series 2004 Bonds (i) during the period beginning on the Record Date next preceding an Interest Payment Date for such Series 2004 Bonds and ending on such Interest Payment Date (defined below) or (ii) after the date next preceding the date on which the Trustee commences selection of Series 2004 Bonds for redemption.

*Rate Period Tables*

The following Rate Period Tables are provided for the convenience of the Holder. The information contained in the charts is not intended to be comprehensive. Reference is made to the above description and to the Resolution for a more complete description.

**Weekly Rate Period Table**

<b>Duration of Rate Period</b>	Seven days beginning on a Thursday to and including the following Wednesday
<b>Interest Payment Dates</b>	The first Business Day of each month and any Conversion Date
<b>Interest Rate Determination Dates</b>	By 4:00 p.m. New York City time on the Business Day prior to the first day of the Weekly Rate Period
<b>Optional Tender Date</b>	Any Business Day
<b>Bondholder Notice of Tender Due</b>	No later than 4:00 p.m. New York City time on the seventh day preceding the Optional Tender Date

*Interest Payment Dates*

Interest will be paid February 1, 2016 and on the first Business Day of each month thereafter, while bearing interest at a Weekly Rate, until converted to bear interest at Auction Rates, Weekly Rates, Flexible Rates, Long-Term Rates or Fixed Rates, and on each Conversion Date (each, an “Interest Payment Date”). Interest on the Bonds will be computed during any Weekly Rate Period on the basis of a 365-day or 366 day year, as appropriate, for the actual number of days elapsed.

### *Rate Periods*

Beginning on the Substitution Date, each Series of the Series 2004 Bonds will bear interest at the Weekly Rate for successive Weekly Rate Periods until converted to the Auction Rate Period, Flexible Rate Period, Long-Term Rate Period or Fixed Rate Period. With respect to the Weekly Rate, each Weekly Rate Period will begin on a Thursday and end on Wednesday of the following week or on an earlier Conversion Date to the Auction Rate Period, Flexible Rate Period, Long-Term Rate Period or Fixed Rate Period. While each Series of the Series 2004 Bonds may be converted from the Weekly Rate Period to the Auction Rate Period, Flexible Rate Period, Long-Term Rate Period or Fixed Rate Period, neither Series of the Series 2004 Bonds may be converted to the Weekly Rate Period, Auction Rate Period, Flexible Rate Period or Long-Term Rate Period after they have been converted to the Fixed Rate Period.

### *Establishment of Rates*

The Weekly Rate applicable to each Series of the Series 2004 Bonds will be the rate of interest that, in the Remarketing Agent's judgment, having due regard for the prevailing financial market conditions for revenue bonds or other securities the interest on which is excludable from gross income for federal income tax purposes and which are comparable to the Series 2004 Bonds as to credit and maturity or tender dates, would be the lowest interest rate which would enable such Series of the Series 2004 Bonds to be sold at a price of par, plus accrued interest, if any, on the first day of the applicable Weekly Rate Period. In no event may the interest rate on any Series 2004 Bond for any Weekly Rate Period exceed the Maximum Rate. The Weekly Rate to be effective for each Weekly Rate Period is to be determined no later than 4:00 p.m., New York City time, on the Business Day next preceding the first day of such Weekly Rate Period.

If for any reason the Weekly Rate for any Weekly Rate Period is not established, no Remarketing Agent is serving under the Resolution or the Weekly Rate is held to be invalid or unenforceable, then the Weekly Rate for such Weekly Rate Period will be 100% of the SIFMA Municipal Index. If a Weekly Rate cannot be determined, the Weekly Rate will be the Rate in effect during the immediately preceding Weekly Rate Period.

### *Conversion*

DASNY, at the direction of the University, may convert either Series of the Series 2004 Bonds from the Weekly Rate Period to the Auction Rate Period, Flexible Rate Period, Long-Term Rate Period or Fixed Rate Period. Such Series of the Series 2004 Bonds will be subject to mandatory tender upon such conversion.

If a Series of the Series 2004 Bonds are to be converted from the Weekly Rate Period to the Auction Rate Period, Flexible Rate Period, Long-Term Rate Period or Fixed Rate Period, the Trustee is to give at least 25 days written notice of such conversion (a "Conversion Notice"), to the Holders of such Series of the Series 2004 Bonds by first class mail. The Conversion Notice must set forth, among other things (a) the proposed Conversion Date, (b) that the interest rate on such Series of the Series 2004 Bonds will be converted to the Auction Rate, Weekly Rate, Flexible Rate, Long-Term Rate or Fixed Rate and (c) that, whether or not tendered to the Tender Agent, all Series 2004 Bonds of such Series will be deemed to have been properly tendered for purchase on the Conversion Date and the Holders of such Series of the Series 2004 Bonds will no longer be entitled to the payment of the principal of or interest on such Series of the Series 2004 Bonds, but will only be entitled to payment of the Purchase Price. In the event that the Conversion is deemed not to have occurred, the mandatory tender will take place and the Remarketing Agent will remarket such Series of the Series 2004 Bonds.

If on the proposed Conversion Date, the conditions required for a conversion to the Auction Rate, Weekly Rate, Flexible Rate, Long-Term Rate or Fixed Rate have not been met, the applicable Series of the Series 2004 Bonds will not convert to the Auction Rate, Weekly Rate, Flexible Rate, Long-Term Rate or Fixed Rate, but will remain in the Weekly Rate. The interest rate on such Series of the Series 2004 Bonds during such Weekly Rate Period will be determined on the date such Series of the Series 2004 Bonds were to have converted to the Auction Rate, Weekly Rate, Flexible Rate, Long-Term Rate or Fixed Rate.

### *Optional Tender*

While each Series of the Series 2004 Bonds bear interest at the Weekly Rate, the Holders of such Series of Series 2004 Bonds may elect to tender their Series 2004 Bonds of such Series (or portions thereof in Authorized Denominations so long as the portion retained by the Holder is in an Authorized Denomination of not less than \$100,000) for purchase at the Purchase Price on any Business Day (an "Optional Tender Date").

To exercise the tender option, a Bondholder must deliver to the Remarketing Agent and the Tender Agent at their principal offices, not later than 4:00 p.m., New York City time, on the seventh calendar day preceding the Optional Tender Date in the case of Series 2004 Bonds at the Weekly Rate, irrevocable notice which states (i) the aggregate principal amount in an Authorized Denomination of each Series 2004 Bond to be purchased and (ii) that each such Series 2004 Bond (or portion thereof in an Authorized Denomination) is to be purchased on the Optional Tender Date.

As long as the Series 2004 Bonds are registered in the name of Cede & Co., as nominee of DTC (or such other nominee), the tender option may only be exercised by a DTC Participant (as hereinafter defined) on behalf of a Beneficial Owner (as hereinafter defined) of Series 2004 Bonds by giving written notice of its election to tender at the times and in the manner described above. An election to tender a Series 2004 Bond for purchase is irrevocable and binding on the Holder or DTC Participant making such election, the Beneficial Owner on whose behalf the notice was given and on any transferee thereof.

#### *Mandatory Tender*

The Series 2004 Bonds of each Series are subject to mandatory tender and purchase at the Purchase Price on the following dates (each a “Mandatory Tender Date”): (i) the Conversion Date, (ii) on the fifth day (or if such day is not a Business Day, the preceding Business Day) next preceding the date on which any Liquidity Facility then in effect expires or is earlier terminated and (iii) upon the issuance of a substitute Liquidity Facility. If the conditions for conversion to an Auction Rate, Weekly Rate, Flexible Rate, Long-Term Rate or Fixed Rate or for the issuance of a substitute Liquidity Facility are not satisfied, the Series 2004 Bonds will remain subject to mandatory tender as scheduled.

#### *Immediate Termination or Suspension of Obligation to Purchase Series 2004 Bonds Under the Substitute Liquidity Facility in Certain Circumstances.*

WHILE EACH OF THE SUBSTITUTE LIQUIDITY FACILITIES IS IN PLACE, UPON THE OCCURRENCE AND CONTINUANCE OF CERTAIN EVENTS OF DEFAULT, THE OBLIGATION OF THE BANK TO PURCHASE THE APPLICABLE SERIES OF SERIES 2004 BONDS UNDER SUCH SUBSTITUTE LIQUIDITY FACILITY WILL TERMINATE OR BE SUSPENDED IMMEDIATELY WITHOUT PRIOR NOTICE OR DEMAND TO HOLDERS OF SUCH SERIES OF THE SERIES 2004 BONDS AND WITHOUT MANDATORY TENDER OF SUCH SERIES OF THE SERIES 2004 BONDS. AFTER THE OCCURRENCE OF SUCH DEFAULTS, OWNERS OF A SERIES 2004 BOND TENDERED FOR PURCHASE WOULD NOT BE ENTITLED TO HAVE THEIR SERIES 2004 BOND PURCHASED BY THE BANK FROM FUNDS MADE AVAILABLE UNDER THE APPLICABLE SUBSTITUTE LIQUIDITY FACILITY. See “SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2004 BONDS – Liquidity Facility – Substitute Liquidity Facility – Events of Default Under Substitute Liquidity Facility – Consequences of Events of Default” herein.

#### *Delivery of Tendered Bonds*

So long as the Series 2004 Bonds are registered in the name of DTC or its nominee, Cede & Co. (or such other nominee), the delivery of tendered bonds are to be reflected in accordance with the procedures established by DTC. If the Series 2004 Bonds are no longer registered in the name of DTC or its nominee, the tendered bonds are to be delivered and surrendered to the Tender Agent at its principal corporate trust office in The City of New York on the Optional Tender Date or Mandatory Tender Date.

If on the Optional Tender Date or the Mandatory Tender Date there is on deposit with the Tender Agent sufficient moneys to pay the Purchase Price of the Tendered Bonds, such Bonds will be deemed tendered without physical delivery to the Trustee and the Holders or DTC Participants and Beneficial Owners of such Bonds will have no further rights thereunder other than the right to the payment of the Purchase Price. The Purchase Price for Tendered Bonds is payable solely out of the moneys derived from the remarketing of such Series 2004 Bonds and the moneys made available by the University or pursuant to a Liquidity Facility if one is then in effect. DASNY has no obligation to pay the Purchase Price out of any other moneys.

#### *Remarketing and Purchase*

The Remarketing Agent is required to use its best efforts to remarket the tendered Series 2004 Bonds. However, the Remarketing Agent is not required to remarket any tendered Series 2004 Bonds under certain circumstances, including if Remarketing Agent has actual knowledge that an Event of Default with respect to the

Series 2004 Bonds has occurred and is continuing under the Resolution and the Loan Agreement. In addition, each Remarketing Agreement provides that the Remarketing Agent is not required to remarket any tendered Series 2004 Bonds if (i) the Remarketing Agent determines that any applicable disclosure document or continuing disclosure undertaking required in connection with the remarketing of the Series 2004 Bonds is either unavailable or not adequate or (ii) the Remarketing Agent has received an Opinion of Bond Counsel that the exclusion from gross income of interest on the Series 2004 Bonds for federal income tax purposes, or the exemption from registration under the Securities Act of 1993, or the exemption from qualification of the Resolution under the Trust Indenture Act of 1939 can be challenged. In addition, DASNY, with the consent of the University so long as no event of default has occurred and is continuing under the Loan Agreement, may direct the Remarketing Agent to discontinue or suspend its remarketing of the Series 2004 Bonds.

Tendered Bonds will be purchased from the Holders on the mandatory tender date or optional tender date at the Purchase Price from the proceeds of remarketing. To the extent that remarketing proceeds are insufficient to pay the Purchase Price of Tendered Bonds, the Purchase Price is to be paid from amounts advanced under the applicable Liquidity Facility if one is then in effect or from amounts paid by the University. Under certain circumstances, the Liquidity Facility may terminate without notice to Bondholders. See “SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2004 BONDS - Liquidity Facility - The Substitute Liquidity Facilities - Events of Default Under Substitute Liquidity Facility - Consequences of Events of Default.” Interest on tendered Series 2004 Bonds to be purchased after the Record Date for an Interest Payment Date will be paid to the registered owner of the tendered Series 2004 Bonds on the Record Date.

No Series 2004 Bond tendered for purchase at the option of the Holder which does not strictly conform to the description contained in the notice of tender will be purchased from its Holder.

## Redemption Provisions

The Series 2004 Bonds are subject to optional redemption as described below.

### *Optional Redemption*

The Series 2004 Bonds are subject to optional redemption at the election of DASNY, as a whole or in part on any date, at a redemption price equal to 100% of the principal amount of Series 2004 Bonds or portions thereof to be redeemed, plus accrued interest, if any, to the redemption date.

### *Special Redemption*

The Series 2004 Bonds are subject to redemption prior to maturity at the option of DASNY, 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 2004 Bonds upon the abandonment of all or a portion of the Project due to a legal or regulatory impediment.

### *Mandatory Redemption*

The Series 2004 Bonds are also subject to redemption, in part, on each July 1 of the years and in the respective principal amounts set forth below, at 100% of the principal amount thereof, plus accrued interest to the date of redemption, from mandatory Sinking Fund Installments which are required to be made in amounts sufficient to redeem on July 1 (or such preceding Interest Payment Date) of each year the principal amount of Series 2004 Bonds specified for each of the years shown below:

Series 2004A Bonds		Series 2004B Bonds	
Year	Sinking Fund Installments	Year	Sinking Fund Installments
2016	\$ 1,350,000	2016	1,400,000
2017	1,425,000	2017	1,475,000
2018	1,475,000	2018	1,550,000
2019	1,525,000	2019	1,600,000
2020	1,575,000	2020	1,675,000
2021	1,650,000	2021	1,725,000
2022	1,725,000	2022	1,800,000
2023	1,800,000	2023	1,875,000
2024	1,875,000	2024	1,950,000
2025	1,925,000	2025	2,025,000
2026	2,025,000	2026	2,125,000
2027	2,100,000	2027	2,175,000
2028	2,175,000	2028	2,275,000
2029	2,275,000	2029	2,375,000
2030	2,375,000	2030	2,475,000
2031	2,450,000	2031	2,575,000
2032	2,575,000	2032	2,675,000
2033	2,675,000 <sup>†</sup>	2033	2,775,000 <sup>†</sup>

<sup>†</sup>Final maturity.



### *Selection of Bonds to be Redeemed*

In the case of redemptions of less than all of the Series 2004 Bonds, DASNY will select the principal amount of any Series 2004 Bonds to be redeemed. If less than all of the Series 2004 Bonds are to be redeemed, the Series 2004 Bonds to be redeemed will be selected by the Trustee, by lot, using such method of selection as the Trustee shall consider proper in its discretion.

### *Notice of Redemption*

The Trustee is to give notice of the redemption of the Series 2004 Bonds in the name of DASNY, by first-class mail, postage prepaid, not less than 15 days prior to the redemption date, to the registered owners of any Series 2004 Bonds which are to be redeemed, at their last known addresses appearing on the registration books of DASNY not more than ten Business Days prior to the date such notice is given. The failure of any owner of a Series 2004 Bond to be redeemed to receive notice of redemption will not affect the validity of the proceedings for the redemption of such Series 2004 Bond. If directed in writing by an Authorized Officer of DASNY, the Trustee will publish or cause to be published such notice in an Authorized Newspaper not less than 15 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 2004 Bonds.

If on the redemption date moneys for the redemption of the Series 2004 Bonds to be redeemed, together with interest thereon to the redemption date, are held by the Trustee so as to be available for payment of the redemption price, and if notice of redemption has been mailed, then interest on such Series 2004 Bonds will cease to accrue from and after the redemption date and such Series 2004 Bonds will no longer be considered to be Outstanding.

For a more complete description of the redemption and other provisions relating to the Series 2004 Bonds, see "Appendix D - Summary of Certain Provisions of the Resolution."

### **Certain Considerations Affecting Sales of Variable Rate Bonds**

#### *The Remarketing Agent is Paid by the University*

The Remarketing Agent's responsibilities include determining the interest rate from time to time and remarketing Series 2004 Bonds that are optionally or mandatorily tendered by the owners thereof (subject, in each case, to the terms of the applicable Remarketing Agreement), all as further described in this Reoffering Circular. The Remarketing Agent is appointed by the University and is paid by the University for its services. As a result, the interests of the Remarketing Agent may differ from those of existing holders and potential purchasers of Series 2004 Bonds.

#### *The Remarketing Agent Routinely Purchases Bonds for its Own Account*

The Remarketing Agent acts as remarketing agent for a variety of variable rate demand obligations and, in its sole discretion, routinely purchases such obligations for its own account. The Remarketing Agent is permitted, but not obligated, to purchase tendered Series 2004 Bonds for its own account and, in its sole discretion, may routinely acquire tendered Series 2004 Bonds in order to achieve a successful remarketing of the Series 2004 Bonds (i.e., because there otherwise are not enough buyers to purchase the Series 2004 Bonds) or for other reasons. However, the Remarketing Agent is not obligated to purchase Series 2004 Bonds, and may cease doing so at any time without notice. The Remarketing Agent may also make a market in the Series 2004 Bonds by routinely purchasing and selling Series 2004 Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agent is not required to make a market in the Series 2004 Bonds. The Remarketing Agent may also sell any Series 2004 Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the Series 2004 Bonds. The purchase of Series 2004 Bonds by the Remarketing Agent may create the appearance that there is greater third party demand for the Series 2004 Bonds in the market than is actually the case. The practices described above also may result in fewer Series 2004 Bonds being tendered in a remarketing.

#### *Series 2004 Bonds May be Offered at Different Prices on any Date*

Pursuant to the Remarketing Agreement and the Resolution, the Remarketing Agent is required to determine the applicable rate of interest that, in its judgment is the lowest interest rate which would enable such Series of the

Series 2004 Bonds to be sold at a price of par plus accrued interest, if any, on the first day of the applicable Weekly Rate Period. The interest rate will reflect, among other factors, the level of market demand for the Series 2004 Bonds (including whether the Remarketing Agent is willing to purchase Series 2004 Bonds for its own account). The Remarketing Agreement and the Resolution require that the Remarketing Agent use its best efforts to sell tendered bonds at par, plus accrued interest. There may or may not be Series 2004 Bonds tendered and remarketed on the date that the rate is determined or becomes effective, the Remarketing Agent may or may not be able to remarket any Series 2004 Bonds tendered for purchase on such date at par and the Remarketing Agent may sell Series 2004 Bonds at varying prices to different investors on such date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third party buyers for all of the Series 2004 Bonds at the remarketing price. In the event the Remarketing Agent owns any Bonds for its own account, the Remarketing Agent may, in its sole discretion in a secondary market transaction outside the tender process, offer Series 2004 Bonds on any date, including the date that the rate is determined or becomes effective, at a discount to par to some investors.

*The Ability to Sell the Series 2004 Bonds other than through Tender Process May Be Limited*

The Remarketing Agent may buy and sell Series 2004 Bonds other than through the tender process. However, it is not obligated to do so and may cease doing so at any time without notice and may require holders that wish to tender their Series 2004 Bonds to do so through the tender agent with appropriate notice. Thus, investors who purchase the Series 2004 Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their Series 2004 Bonds other than by tendering the Series 2004 Bonds in accordance with the tender process. The Substitute Liquidity Facilities are not available to purchase Series 2004 Bonds other than those tendered in accordance with a sale of Series 2004 Bonds by the bondholder to the Remarketing Agent. The Substitute Liquidity Facilities will only be drawn when such Series 2004 Bonds have been properly tendered in accordance with the terms of the transaction.

*The Remarketing Agent may be Removed, Resign or Cease Remarketing the Series 2004 Bonds Without a Successor Being Named*

Under certain circumstances the Remarketing Agent may be removed or have the ability to resign or cease its remarketing efforts, without a successor having been named, subject to the terms of the Remarketing Agreement.

**Book-Entry Only System**

The Depository Trust Company (“DTC”), New York, New York, is the securities depository for the Series 2004 Bonds. The Series 2004 Bonds are fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee). One fully-registered Series 2004 Bond certificate has been issued for each maturity of the Series 2004 Bonds, each in the aggregate principal amount of such maturity, and has been deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a banking organization within the meaning of the New York Banking Law, a member of the Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code, and a clearing agency registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds 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 owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange LLC, 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 2004 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2004 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2004 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 2004 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 2004 Bonds, except in the event that use of the book-entry system for the Series 2004 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2004 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 2004 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 2004 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2004 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 2004 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 DTC nominee) will consent or vote with respect to Series 2004 Bonds. Under its usual procedures, DTC mails an omnibus proxy (the "Omnibus Proxy") to DASNY as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2004 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption premium, if any, and interest payments on the Series 2004 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 DASNY or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in street name, and will be the responsibility of such Participant and not of DTC, the Trustee or DASNY, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, and interest to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC, is the responsibility of DASNY or the Trustee, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Series 2004 Bond tendered for purchase, through its Participant, to the Tender Agent and the Remarketing Agent, and shall effect delivery of such Series 2004 Bond by causing the Direct Participant to transfer the Participant's interest in the Series 2004 Bond, on DTC's records, to the Tender Agent. The requirement for physical delivery of Series 2004 Bonds in accordance with an optional tender for purchase will be deemed satisfied when the ownership rights in the Series 2004 Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Series 2004 Bonds to the Tender Agent's DTC account.

DASNY and the Trustee may treat DTC (or its nominee) as the sole and exclusive registered owner of the Series 2004 Bonds registered in its name for the purposes of payment of the principal and redemption premium, if any, of, or interest on, the Series 2004 Bonds, giving any notice permitted or required to be given to registered owners under the Resolution, registering the transfer of the Series 2004 Bonds, or other action to be taken by registered owners and for all other purposes whatsoever. DASNY 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 2004 Bonds under or through DTC or any Direct or Indirect Participant, or any other person which is not shown on the registration books of DASNY (kept by the Trustee) as being a registered owner, with respect to the accuracy of

any records maintained by DTC or any Direct or Indirect Participant; the payment by DTC or any Direct or Indirect Participant of any amount in respect of the principal, redemption premium, if any, or interest on the Series 2004 Bonds; any notice which is permitted or required to be given to registered owners thereunder or under the conditions to transfers or exchanges adopted by DASNY; or other action taken by DTC as registered owner. Interest, redemption premium, if any, and principal will be paid by the Trustee to DTC, or its nominee. Disbursement of such payments to the Direct or Indirect Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the Direct or Indirect Participants.

For every transfer and exchange of beneficial ownership of any of the Series 2004 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 2004 Bonds at any time by giving reasonable notice to DASNY and the Trustee, or DASNY may terminate its participation in the system of book-entry transfer through DTC at any time by giving notice to DTC. In either event, DASNY may retain another securities depository for the Series 2004 Bonds or may direct the Trustee to deliver bond certificates in accordance with instructions from DTC or its successor. If DASNY directs the Trustee to deliver such bond certificates, such Series 2004 Bonds may thereafter be exchanged for an equal aggregate principal amount of Series 2004 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 DASNY.

Unless otherwise noted, certain of the information contained in the preceding paragraphs of this subsection "Book-Entry Only System" has been extracted from information given by DTC. Neither DASNY, the Trustee nor the Remarketing Agent 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.

NEITHER DASNY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO SUCH DTC 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 DTC PARTICIPANTS, INDIRECT PARTICIPANTS, OR THE BENEFICIAL OWNERS. PAYMENTS MADE TO DTC OR ITS NOMINEE SHALL SATISFY DASNY'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 2004 Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the Series 2004 Bonds (other than under the captions "PART 8 - TAX MATTERS" herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 2004 Bonds.

### **Principal and Interest Requirements**

The following table sets forth the amounts required to be paid by the University during each twelve month period ending June 30 of the Bond Years shown for the payment of debt service on the currently outstanding indebtedness of the University, the principal of and interest on the Series 2004 Bonds and the total debt service on all indebtedness of the University, including the Series 2004 Bonds.

## Debt Service on University Indebtedness

Series 2004 Bonds						
12 Month Period Ending June 30	Series 2004A Principal Payments	Series 2004B Principal Payments	Interest Payments <sup>(1)</sup>	Total Debt Service on the Series 2004 Bonds	Debt Service on Other Outstanding Indebtedness <sup>(1)(2)</sup>	Total Debt Service <sup>(1)(2)</sup>
2016	\$1,350,000	\$1,400,000	\$2,145,000	\$4,895,000	\$ 90,488,251	\$ 90,488,251
2017	1,425,000	1,475,000	2,062,500	4,962,500	90,556,151	90,556,151
2018	1,475,000	1,550,000	1,975,500	5,000,500	90,669,301	90,669,301
2019	1,525,000	1,600,000	1,884,750	5,009,750	340,781,351	340,781,351
2020	1,575,000	1,675,000	1,791,000	5,041,000	77,191,926	77,191,926
2021	1,650,000	1,725,000	1,693,500	5,068,500	77,379,125	77,379,125
2022	1,725,000	1,800,000	1,592,250	5,117,250	77,503,226	77,503,226
2023	1,800,000	1,875,000	1,486,500	5,161,500	77,613,175	77,613,175
2024	1,875,000	1,950,000	1,376,250	5,201,250	77,732,346	77,732,346
2025	1,925,000	2,025,000	1,261,500	5,211,500	77,904,521	77,904,521
2026	2,025,000	2,125,000	1,143,000	5,293,000	73,213,802	73,213,802
2027	2,100,000	2,175,000	1,018,500	5,293,500	73,381,116	73,381,116
2028	2,175,000	2,275,000	890,250	5,340,250	73,530,767	73,530,767
2029	2,275,000	2,375,000	756,750	5,406,750	73,525,497	73,525,497
2030	2,375,000	2,475,000	617,250	5,467,250	68,927,250	68,927,250
2031	2,450,000	2,575,000	471,750	5,496,750	83,823,750	83,823,750
2032	2,575,000	2,675,000	321,000	5,571,000	83,907,500	83,907,500
2033	2,675,000	2,775,000	163,500	5,613,500	83,984,600	83,984,600
2034	-	-	-	-	84,069,350	84,069,350
2035	-	-	-	-	84,287,100	84,287,100
2036	-	-	-	-	71,613,350	71,613,350
2037	-	-	-	-	71,714,100	71,714,100
2038	-	-	-	-	57,588,850	57,588,850
2039	-	-	-	-	57,371,783	57,371,783
2040	-	-	-	-	36,881,250	36,881,250

- (1) For the purpose of this table, variable interest rates are assumed at a rate of 3.0% until maturity. The University is fully hedging its variable rate debt with interest rate swaps.
- (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 UNIVERSITY

### General

Cornell University (“Cornell” or the “University”) is a private research university chartered and operated under the laws of the state of New York (“the State”). A member of the Ivy League, Cornell was founded by Ezra Cornell whose original endowment was augmented by a substantial land grant from the State received under the Federal Land Grant (Morrill) Act of 1862. It has been described as the first truly American university because of its founders’ egalitarian and practical vision of higher education and is dedicated to its land-grant mission of outreach and public engagement.

The University comprises colleges and schools in Ithaca, New York (seven undergraduate units and four graduate and professional units) and New York City (two medical graduate and professional units as part of Weill Cornell Medicine and Cornell Tech offering graduate programs in applied sciences, including degrees offered jointly with the Technion - Israel Institute of Technology). Cornell’s community includes over 22,900 students and nearly 269,000 alumni who live and work across the globe.

In addition to the academic programs of the University located in Ithaca, New York and New York City, extension services and educational programs are carried out throughout New York State and locations such as Washington D.C. and Rome, Italy. In addition, Weill Cornell Medicine has a campus in Doha, Qatar.

## **Ithaca Campus**

The Ithaca Campus is the University's main campus located on 2,300 acres in New York State's Finger Lakes region. The campus is comprised of the seven privately funded colleges and units ("the Endowed Colleges") and four schools that receive direct funding from the State ("Contract Colleges"). In 1865, the State Legislature designated Cornell as the State's land grant institution under the Morrill Act of 1862. The 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 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; the S. C. Johnson Graduate School of Management; and the Faculty of Computing and Information Science. The four 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.

## **Contract Colleges**

Cornell's four Contract Colleges have been assigned by State legislation with specific responsibilities in research and extension directed to support State needs. The specialized missions of the Contract Colleges, as set forth in the State Education Law, are included in the Cornell Charter. The four Contract Colleges enroll approximately 34% of the student body and conduct 36% of total research expenditures of the University. The cost of construction and acquisition for certain Contract College facilities is borne primarily by the State.

State operating and capital contributions provide significant financial support to the integrated academic and research programs of the University as well as general campus overhead costs. State operating budget appropriations are received as part of the SUNY appropriation budget and are based on negotiations with SUNY and the New York State Department of Budget. In addition to the direct operating budget appropriation received through SUNY, State funds also support employee benefits and debt service on SUNY bonds used to finance certain Contract College facilities.

Future State support for the Contract Colleges is dependent on the enactment of annual appropriations by the State and the willingness and ability of the State and SUNY to provide such payments. In the event that future State support for the Contract Colleges is below 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.

Total funding from all sources (tuition, State, federal, gifts, etc.), for the operations of the Contract Colleges amounted to approximately \$710 million for the year ended June 30, 2015. The State appropriations for operation of the Contract Colleges received through SUNY of approximately \$121 million for fiscal year 2015-2016 represent approximately 17% of the 2015-2016 operating budget for the Contract Colleges.

## **New York City Campuses**

### *Weill Cornell Medicine*

Founded in 1898, and affiliated with New York-Presbyterian Hospital since 1927, Weill Cornell Medicine ("WCM") is comprised of the Weill Cornell Medical College ("Medical College"), Weill Cornell Graduate School of Medical Sciences ("Weill Graduate School"), and the Weill Cornell Physician Organization ("Physician Organization"). The Medical College and the Weill Graduate School conduct instructional and research activities in the medical field, and, through the Physician Organization, the physician members generate clinical practice income for Cornell from their professional services to patients.

### *Cornell Tech*

In December 2011, Cornell, with its academic partner the Technion-Israel Institute of Technology, was selected by the City of New York to develop and build a new applied science and engineering campus on Roosevelt Island in New York City. The Cornell Tech campus is currently operating in lower Manhattan and expectations are for the Roosevelt Island campus, currently under construction, to be fully operational in 2017.

## **Accreditation**

Cornell is accredited by the Middle States Association of Colleges and Secondary Schools and Weill Cornell Medical College is accredited by the Accreditation Council for Continuing Medical Education (ACCME) to provide

continuing medical education for physicians. Other programs are accredited by appropriate education accrediting associations.

## **Governance**

Cornell is governed by a 64-member Board of Trustees (the “Board”) which meets four times each year. The Board includes: forty-three 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. A list of board members, their affiliations and titles as of July 1, 2015 follows:

### **Cornell University Board of Trustees 2015-16**

#### *Leadership*

ROBERT S. HARRISON	Chief Executive Officer, Clinton Global Initiative	Chairman
DAVID D. CROLL	Managing Partner, M/C Venture Partners	Vice Chairman
ANDREW H. TISCH	Co-Chairman of the Board, Loews Corporation	Vice Chairman
JAN ROCK ZUBROW	President, MedCapital, LLC	Chairman of Exec. Comm.
ELIZABETH GARRETT	President, Cornell University	Ex-Officio

#### *Active Trustees*

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LOWELL McADAM, Chairman and Chief Executive Officer, Verizon Communications  
WILLIAM H. McALEER, Co-Founder and Managing Director, Voyager Capital

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<sup>1</sup> Bank of America Merrill Lynch or an affiliate thereof is the Remarketing Agent for the Series 2004 Bonds.

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 CRAIG YUNKER, Managing Member, CY Farms/Batavia Turf  
 KAREN P. ZIMMER, Medical Director, ECRI Institute

The Board also has the following 12 standing committees: Executive, Academic Affairs, Alumni Affairs, Audit, Buildings and Properties, Compensation, Development, Finance, Investment, Student Life, Trustee-Community Communications and University Relations.

### **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>
Elizabeth Garrett	President
Michael I. Kotlikoff	Provost
Laurie H. Glimcher, M.D.	Provost for Medical Affairs
James J. Mingle	University Counsel and Secretary of the Corporation
Joanne M. DeStefano	Executive Vice President for Finance and CFO

Brief biographies for each of the above listed officers follow:

*Elizabeth Garrett, President of Cornell University.* Elizabeth Garrett became the 13th president of Cornell University on July 1, 2015, having previously served as provost and senior vice president for academic affairs at the University of Southern California. Before joining USC, President Garrett was a professor of law at the University of Chicago and also served as deputy dean for academic affairs. The author of more than 50 articles, book chapters, essays and casebooks, President Garrett's primary scholarly interests are legislative process, the initiative and



referendum process, the federal budget process, and the design of democratic institutions and tax policy. A life fellow of the American Bar Foundation, President Garrett was also elected a Harold Lasswell Fellow of the American Academy of Political and Social Science and a member of the Council of the American Law Institute. Strongly committed to public service, she has served on federal and state panels and commissions and currently serves on the board of Internet2, a not-for-profit computer networking consortium led by members of the research and education communities, industry and government. President Garrett is a Phi Beta Kappa graduate of the University of Oklahoma and received her J.D. in 1988 from the University of Virginia School of Law, where she was chosen for Order of the Coif. She clerked for Justice Thurgood Marshall on the U.S. Supreme Court and Judge Stephen Williams on the federal court of appeals for the District of Columbia.

*Michael I. Kotlikoff, Provost.* Michael I. Kotlikoff, professor of molecular physiology, became the 16th provost of Cornell University on August 1, 2015. A member of the Cornell faculty since 2000, he was Dean of the College of Veterinary Medicine from 2007 to 2015. He also served as the founding chair of the Department of Biomedical Sciences from 2000 to 2007 at Cornell and was a faculty member at the University of Pennsylvania for 15 years, chairing the Department of Animal Biology from 1995 to 2000. Dr. Kotlikoff's laboratory uses mouse genetics, molecular biology and molecular imaging to advance the understanding of cardiovascular biology. He has served on or chaired many university committees, as well as numerous NIH committees and editorial boards. Dr. Kotlikoff received his B.A. (literature) and V.M.D. degrees from the University of Pennsylvania and his Ph.D. in Physiology from the University of California, Davis.

*Laurie H. Glimcher, M.D., Provost for Medical Affairs; Dean, Weill Cornell Medical College.* Dr. Laurie Glimcher is the Provost for Medical Affairs of Cornell University, as well as the Dean of Weill Cornell Medical College. Prior to joining Cornell in 2012, she was on the faculty of both Harvard School of Public Health, where she was director of the Division of Biological Sciences, and Harvard Medical School. Dr. Glimcher also served as Senior Physician and Rheumatologist at the Brigham and Woman's Hospital. Dr. Glimcher is board-certified in Internal Medicine and Rheumatology and speaks nationally and internationally on rheumatology, immunology, skeletal biology and translational medicine, as well as being the recipient of numerous awards and honors and a fellow or member of many medical and scientific institutes and academies. In addition to sitting on the Board of Overseers of Weill Cornell Medical College and Graduate School of Medical Sciences, she is also on the boards of Memorial Sloan Kettering Cancer Center, the New York Blood Foundation, Bristol-Myers Squibb Pharmaceutical Corporation and the Waters Corporation. She received her B.A. from Radcliffe College and her M.D. from Harvard Medical School and completed postdoctoral training at Harvard and the National Institute of Allergy and Infectious Diseases in Bethesda, Maryland.

*James J. Mingle, University Counsel and Secretary of the Corporation.* James Mingle serves as Cornell's University Counsel and Secretary of the Corporation. Prior to joining Cornell in 1995, Jim was General Counsel of the University of Virginia. Previously, he was head of the Educational Affairs Division of the Maryland Attorney General's Office, where he served as an Assistant Attorney General and Chief Counsel to the University of Maryland, the Maryland State Universities and Colleges, Morgan State University, several state higher education boards and commissions, and Maryland Public Television. Prior to joining the Maryland Attorney General's Office, he has held management positions at Frostburg State University and the Philadelphia 76ers NBA Club. He has also held adjunct faculty positions at Frostburg State University, the University of Maryland Law School, and the University of Virginia School of Law. Mr. Mingle holds a B.A. from St. Joseph's University in Philadelphia and a J.D. from the University of Virginia School of Law.

*Joanne M. DeStefano, Executive Vice President and Chief Financial Officer.* Joanne DeStefano is the Executive Vice President (EVP) and Chief Financial Officer (CFO) for Cornell University. Ms. DeStefano began her tenure with the University in 1990 as the general accounting manager for the Contract Colleges and has since held a number of positions with progressive responsibility, having most recently served as the Vice President for Finance and CFO. Prior to joining the University, Ms. DeStefano worked in the corporate sector. Ms. DeStefano serves as a member on the Cayuga Medical Center board of directors and executive committee. She is also a member of the National Association of College and University Business Officers and has held board of director positions with the Quali Foundation and the Council on Governmental Relations. Ms. DeStefano is a graduate of Syracuse University with a Bachelor of Science in accounting and a 1997 graduate of the Curtis Johnson Graduate School of Management at Cornell University with a Master of Business Administration in finance.

## Applications, Admissions and Enrollment

Cornell receives applications substantially in excess of the number of students it can accept to the undergraduate, graduate and professional programs. The following tables set forth the number of applications for admissions and demand data for students as of fall for the years listed.

### Freshmen Admission Statistics

<u>Fall</u>	<u>Total Applications</u>	<u>Acceptances</u>	<u>Acceptance Rate</u>	<u>Number Enrolled</u>	<u>Yield</u>
2011	36,387	6,538	18.0%	3,356	51.3%
2012	37,808	6,259	16.6	3,270	52.2
2013	39,999	6,222	15.6	3,282	52.7
2014	43,037	6,105	14.2	3,261	53.4
2015	41,900	6,315	15.1	3,219	51.0

### Percentage of Entering Freshman Scoring 600+ on SAT

<u>Fall</u>	<u>% Critical Reading</u>	<u>% Math</u>
2011	87	94
2012	94	89
2013	92	97
2014	91	96
2015	92	95

### Graduate and Professional School Admissions Fall 2015

<u>School</u>	<u>Total Applications</u>	<u>Acceptances</u>	<u>Acceptance Rate</u>	<u>Number Enrolled</u>	<u>Yield</u>
Graduate School	19,807	4,520	22.8%	2,079	46.0%
Graduate School of Medical Sciences	632	126	19.9	49	38.9
Medical College (MD)	6,183	312	5.0	106	34.0
Law School	3,911	1,192	30.5	203	17.0
Graduate School of Management	1,949	666	34.2	352	52.9
Veterinary School	948	152	16.0	92	60.5
Cornell Tech	436	171	39.2	116	67.8

### Enrollment Summary

<u>Fall</u>	<u>Undergraduate</u>	<u>Graduate/ Professional &amp; Medical College</u>	<u>Total Full-Time</u>
2011	14,167	7,945	22,112
2012	14,261	8,156	22,417
2013	14,393	8,203	22,596
2014	14,453	8,420	22,873
2015	14,315	8,625	22,940

## Tuition and Other Student Charges

The following table lists tuition rates and student activity fees for undergraduate, graduate and professional students for the major divisions of the University for the academic years listed.

	<u>2011-2012</u>	<u>2012-2013</u>	<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>
<b>Undergraduate</b>					
Endowed Ithaca	\$41,325	\$43,185	\$45,130	\$47,050	\$48,800
Contract College – Resident	25,185	27,045	28,990	30,910	32,740
Contract College - Non-resident	41,325	43,185	45,130	47,050	48,800
<b>Graduate Research</b>					
Endowed Ithaca Graduate (research)	29,500	29,500	29,500	29,500	29,500
Contract College Graduate (non-veterinary research)	20,800	20,800	20,800	20,800	20,800
Contract College Graduate Veterinary Medicine	20,800	20,800	20,800	20,800	20,800
<b>Professional Degree</b>					
Graduate (professional) - endowed	41,325	43,185	45,130	47,050	48,900
Graduate (non-veterinary professional resident) contract college	27,040	28,260	29,530	30,785	32,000
Johnson Graduate School of Management	51,480	53,796	55,948	58,192	59,500
Law School	53,150	55,220	57,270	59,360	59,900
Hotel Administration	16,530	17,274	18,052	22,565	24,443
Veterinary Medicine Professional - resident	28,400	29,400	30,725	31,800	32,750
Veterinary Medicine Professional - non-resident	42,750	44,250	45,575	46,650	48,050
<b>Weill Cornell Medicine</b>					
Medical College	46,000	47,150	48,500	49,500	50,950
Graduate Medical College - PHD program	29,282	30,160	31,420	32,200	32,850

## Financial Aid

Students receive assistance from various sources, which include University funds, state and federal financial aid programs, and other awards from outside sources. For the academic year 2015-16, approximately 60% of all Cornell undergraduates received some form of financial assistance. The following table provides a breakdown of the sources from which undergraduate need-based grant aid and loans have been provided over the last five academic years.

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

<b>Academic Year</b>	<b>Cornell Aid</b>	<b>State Aid</b>	<b>Federal Aid</b>	<b>Outside Awards</b>	<b>Total</b>
2011-12	\$230,722	\$4,755	\$38,496	\$9,513	\$283,486
2012-13	237,643	4,656	35,854	10,188	288,341
2013-14	239,415	4,040	36,158	5,923	285,546
2014-15	241,520	4,539	39,087	7,106	292,252
2015-16*	248,100	4,540	39,084	7,400	299,124

\*Projected financial aid for 2015-16. The amounts in the table above are compiled from the University financial aid system for only need-based undergraduate students and are based on the academic year. Therefore, this data will not reconcile to the University's financial statements.

**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. For academic year 2014-15, Ithaca Campus faculty totaled 1,652 and the Medical College faculty totaled 1,563.

**Employee Relations**

Cornell has collective bargaining agreements with seven unions. The contracts are with the Building Trades Council (June 2020), the Communication Workers of America (March 2018), the International Union of Operating Engineers (March 2019), the United Automobile, Aerospace, and Agricultural Implement Workers of America (June 2016), Security, Police and Fire Professional of America (September 2015), Cornell Adjunct Faculty Alliance (June 2019) and Cornell Police Union (June 2014). The agreements with the Security, Police and Fire Professional of America and Cornell Police Union are currently being negotiated.

**Pension Plans**

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 WCM are carried by the Teachers Insurance and Annuity Association, the College Retirement Equities Fund, the Vanguard Group (WCM only), and Fidelity Investments (Endowed Ithaca only), all of which permit employee contributions. Total costs of the Endowed Ithaca and WCM plans for the fiscal years ended June 30, 2015 and 2014 amounted to \$95.1 million and \$92.8 million, respectively.

WCM maintains the University's only defined benefit plan. The participants include non-exempt employees at WCM who meet the eligibility requirements for participation. The plan was frozen in 1976 for exempt employees at WCM and the accrued benefits were merged with the active non-exempt retirement plan in 1989. 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.

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 University's 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, 2015 and June 30, 2014, was \$18.9 million and \$21.3 million, respectively, which are included in the expenses of general operations.

**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; and Weill Cornell Medicine. These three units are subject to the common administrative authority and

control of the Cornell University Board of Trustees (the “Board of Trustees”). The University is prohibited from using funds attributable to the Contract Colleges (i.e., those colleges operated by the University on behalf of New York State). Except as specifically required by law, the Contract and Endowed Colleges at Ithaca and Weill Cornell Medicine are, to the extent practicable, governed by common management principles and policies determined at the private discretion of the University. In addition, 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.

The development of the operating budget begins in the fall with individual operating units and the University as a whole setting basic priorities and income estimates which are then reviewed and refined and become the basis for the development of unit budget plans in the spring. For the Contract Colleges, a budget submission is typically made to the State University of New York (SUNY) in the fall in accordance with SUNY budget planning processes. Major university planning assumptions such as tuition rates, housing and dining rates, and endowment payout are approved by the Board of Trustees in January. Preliminary State appropriation estimates are typically announced in late January as part of or subsequent to the Governor presenting a proposed budget to the State legislature. Final State appropriations are not determined until the enactment of a final State budget (State fiscal year is April 1 – March 31). The Executive Vice President and Chief Financial Officer reviews and approves the final operating budget plan prior to submission and approval by the Board of Trustees in May. The WCM budget must first be approved by the Board of Overseers of the Medical College before being submitted for ratification by the Board of Trustees.

### **Annual Financial Information**

The tables that follow are based on the audited financial statements of the University for fiscal years 2011 through 2015, and should be read in conjunction with the audited financial statements of the University and related footnotes as of June 30, 2015, included in Appendix B of this Official Statement.

#### *Statement of Financial Position*

Following is a summary of Assets, Liabilities and Net Assets as of June 30, for the fiscal years 2011 through 2015 (in thousands).

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Total Assets	\$10,733	\$10,900	\$11,506	\$12,529	\$12,771
Total Liabilities	3,222	3,422	3,412	3,286	3,290
Net Assets	7,511	7,478	8,094	9,243	9,481
Net Assets					
Compromised of:					
Unrestricted	2,752	2,410	2,751	3,014	2,971
Temporarily Restricted	2,432	2,616	2,776	3,494	3,577
Permanently Restricted	2,327	2,452	2,567	2,735	2,933
Total	7,511	7,478	8,094	9,243	9,481

*Statement of Activities*

The following table provides a summary of revenues and other additions and expenses as of June 30, for the years 2011 through 2015 (in thousands).

	<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>	<u>2013-2014</u>	<u>2014-2015</u>
Operating Revenues					
Net Tuition and fees	\$481,073	\$508,331	\$537,035	\$569,153	\$611,054
State and federal appropriations	164,013	150,469	152,190	149,065	148,712
Grants and Contracts	623,036	604,731	588,580	601,582	594,768
Contributions	230,677	338,368	236,713	381,136	320,956
Investment return, distributed	310,440	298,164	304,681	327,528	314,342
Physician Organization	577,568	679,938	751,957	827,433	927,579
Other	569,007	581,971	630,009	685,469	719,220
Total operating revenues	\$2,955,814	\$3,161,972	\$3,201,165	\$3,541,366	\$3,636,631
Operating Expenses					
Compensation and benefits	\$1,830,907	\$1,938,620	\$2,023,326	\$2,151,980	\$2,297,837
Supplies and general	622,370	637,050	646,141	555,314	625,337
Interest expense	70,065	86,201	92,465	91,190	89,447
Depreciation	214,828	203,587	207,631	231,670	259,776
Other	236,523	249,736	262,629	379,548	389,228
Total operating expenses	\$2,974,693	\$3,115,194	\$3,232,192	\$3,409,702	\$3,661,625
Change in net assets from operating activities	\$(18,879)	\$46,778	\$(31,027)	\$131,664	\$(24,994)
Change in net assets from non-operating activities	832,916	(80,103)	647,790	1,017,283	263,025
Change in net assets	\$814,037	\$(33,325)	\$616,763	\$1,148,947	\$238,031
Total net assets, beginning of year	6,696,958	7,510,995	7,477,670	8,094,433	9,243,380
Total net assets, end of year	\$7,510,995	\$7,477,670	\$8,094,433	\$9,243,380	\$9,481,411

**Investments**

The University's investments are overseen by the Investment Committee of the Board of Trustees. The Investment Committee delegates authority for day-to-day management, supervision and administration of the funds to the Chief Investment Officer. Based on guidelines established by the Investment Committee, the University's Investment Office directs the investment of endowment and trust assets, certain working capital and temporarily invested expendable funds.

The University's investment strategy for Long Term Investments ("LTI") 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. 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 five 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 divided into the Pooled Balance Investment Fund (PBIF) and the Working Capital Fund (WCF). The PBIF is invested in a manner that parallels the LTIP with a payout managed by the University Budget Office as directed by the President. The WCF is invested only in short-term, liquid fixed income instruments. 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. The University has chosen to separately invest certain major expendable funds to maintain liquidity. Each of such funds has separate investment objectives.

The University's portfolio of investment assets as of June 30, 2015 is summarized in the following table (amounts in thousands).

<u>Type</u>	<u>Amount</u>	<u>Percentage</u>
Cash and cash equivalents	\$602,117	8.6%
Domestic equities	698,152	10.0%
Foreign equities	947,585	13.6%
Hedged equities	724,531	10.4%
Private equities	1,209,758	17.3%
Fixed income	1,246,861	17.8%
Marketable alternatives	654,004	9.4%
Real assets	900,550	12.9%
Other	<u>3,362</u>	<u>0.0%</u>
Total	\$6,986,920	100%

## Liquidity

The University has various sources of internal liquidity. A summary of these sources is displayed in the following table for the dates indicated (in thousands).

	<u>Sep-2015</u>	<u>Jun-2015</u>	<u>Mar-2015</u>	<u>Dec-2014</u>	<u>Sep-2014</u>
Cash, money market funds and repurchase agreements	\$181,336	\$29,717	\$157,796	\$103,217	\$219,876
US Treasuries and Agencies	563,143	628,474	641,170	680,129	647,367
Total Daily Liquidity	<u>\$744,479</u>	<u>\$658,191</u>	<u>\$798,966</u>	<u>\$783,346</u>	<u>\$867,243</u>
Fixed Income	\$587,808	\$605,058	\$660,419	\$657,403	\$633,536
Equities	1,191,534	1,426,545	1,439,380	1,368,010	1,368,187
Other	103,212	31,985	15,178	52,779	31,116
Total Weekly liquidity	<u>\$1,882,554</u>	<u>\$2,063,588</u>	<u>\$2,114,977</u>	<u>\$2,078,192</u>	<u>\$2,032,839</u>
Daily and Weekly Liquidity	\$2,627,033	\$2,721,779	\$2,913,943	\$2,861,538	\$2,900,082

The University also maintains \$200 million in working capital lines of credit with two banks to provide additional liquidity. See "Indebtedness" below.

## Endowment and Similar Funds

As of June 30, 2015 Cornell's endowment and funds functioning as endowment, not including life income funds, had a market value of approximately \$6.0 billion. Approximately \$1.4 billion of the \$6.0 billion is unrestricted as to use.

The following is a summary (in millions) for the last five fiscal years 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.

<b>Fiscal Year Ending June 30</b>	<b>True Endowment and Related Appreciation</b>	<b>Funds Functioning as Endowment</b>	<b>Funds Held In Trust</b>	<b>Total Endowment and Similar Funds</b>
2011	\$3,274.6	\$1,653.4	\$131.4	\$5,059.4
2012	3,220.0	1,579.3	147.7	4,947.0
2013	3,511.6	1,628.6	132.0	5,272.2
2014	4,010.7	1,734.2	145.0	5,889.9
2015	4,121.7	1,761.8	154.0	6,037.5

## Gifts and Bequests

Cornell received approximately \$2.3 billion in gifts and bequests during the five fiscal years ended June 30, 2015. The table below show gifts by type of donor and the allocation of these gifts by category of utilization (amounts in millions).

<b>Donor</b>	<b><u>2010-11</u></b>	<b><u>2011-12</u></b>	<b><u>2012-13</u></b>	<b><u>2013-14</u></b>	<b><u>2014-15</u></b>
Corporations	\$18.5	\$18.2	\$36.8	\$17.6	\$29.9
Foundations	42.7	31.3	73.5	78.7	59.2
Alumni	162.8	175.6	250.9	298.3	349.7
Friends/Other	<u>91.5</u>	<u>105.8</u>	<u>113.9</u>	<u>151.5</u>	<u>151.8</u>
Total	<u>\$315.5</u>	<u>\$330.9</u>	<u>\$475.1</u>	<u>\$546.1</u>	<u>\$590.6</u>

## Facilities

The following table provides a summary of plant facilities as of June 30, for the years 2011 through 2015 (amounts in millions).

	<b><u>2010-11</u></b>	<b><u>2011-12</u></b>	<b><u>2012-13</u></b>	<b><u>2013-14</u></b>	<b><u>2014-15</u></b>
Land, Building & Equipment	\$3,725	\$3,839	\$4,153	\$4,833	\$5,137
Furniture, Equipment, Books & Collections	1,135	1,174	1,126	1,174	1,213
Construction in Progress	<u>395</u>	<u>578</u>	<u>712</u>	<u>354</u>	<u>312</u>
Total	<u>\$5,255</u>	<u>\$5,591</u>	<u>\$5,991</u>	<u>\$6,361</u>	<u>\$6,662</u>

Note: The sum of the details may not equal the totals due to rounding.

## Capital Plan

The University's capital budget and associated five year spending plan that was approved in May 2015 projects capital expenditures totaling approximately \$1.2 billion. Funding for projects is expected to come from a variety of sources, including fund raising, funds provided by New York State, sponsored programs and university funds. No new debt is anticipated to complete the current capital plan.



## Insurance

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

In addition, the University obtains medical malpractice insurance through MCIC Vermont (MCIC). MCIC is a reciprocal risk retention group that provides medical malpractice insurance coverage and risk management services to its subscribers. All of WCM faculty physicians are enrolled in MCIC.

## Indebtedness

As of June 30, 2015, the University had \$1.53 billion of outstanding debt, which included 78% fixed rate debt and 22% variable rate debt.

The University approved the use of interest rate swaps to mitigate interest rate risk for its variable rate debt portfolio. As of June 30, 2015, the University had \$902 million notional amount of executed swap agreements with various counterparties including Morgan Stanley Capital Services, 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. In October 2015, a swap with a notional amount of \$93 million expired. In accordance with generally accepted accounting principles, the University is required to record the market value of swaps. The swaps are valued on a daily basis and the market value will fluctuate based on interest rates. The University actively monitors the swap market and may optionally terminate all or a portion of a swap.

The University has two working capital lines of credit up to \$100 million each with JPMorgan Chase Bank, N.A. and Bank of America, N.A. As of June 30, 2015, the University did not have any outstanding balances on the lines of credit.

In December 2015, Banc of America Public Capital Corp (“BAPCC”) purchased the Authority’s Cornell University Revenue Bonds, Series 2000A and Series 2000B. In January 2016, BAPCC is expected to purchase the Tompkins County Industrial Development Agency’s Variable Rate Demand Civic Facility Revenue Bonds (Cornell University Project), Series 2002A.

## Weill Cornell Physician Organization

The Physician Organization is located in New York City and accounts for approximately 25.5% of fiscal 2015 revenues. The revenue includes clinical practice income from the professional services to patients. The following table reflects the growth of Physician Organization revenue for the past five years (in millions).

<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
\$578	\$680	\$752	\$827	\$928

## Research and Development

According to the most recently published National Science Foundation statistics (fiscal year 2014), Cornell ranked fourteenth among U.S. colleges and universities in total research and development expenditures (R&D), twelfth in sciences and engineering fields, and twenty-first in federally financed R&D.

R&D expenditures are defined as those for basic and applied research and development activities that are separately budgeted and accounted for, and supported by competitive grants and contracts, non-competitive state and federal appropriations, or institutional funds. Among private institutions, Cornell ranked seventh in the nation. Among institutions in New York State, Cornell was second in overall R&D expenditures.

During fiscal year 2014, aggregate R&D expenditures at Cornell were \$883 million compared to \$845 million in fiscal year 2013. Cornell’s externally financed organized R&D expenditures for fiscal year 2014 included organized R&D expenditures supported by the federal government in the amount of \$434 million (including a combined total of \$331 million funded from the National Science Foundation and the Department of Health and Human Services).

The following table is a five-year summary of externally financed organized R&D expenditures (federal government and other sources) at Cornell (in thousands).

<u>Fiscal Year</u>	<u>Expenditures</u>
2009-10	\$620,034
2010-11	655,098
2011-12	652,816
2012-13	629,935
2013-14	656,984

Note: Fiscal year 15 numbers are not available as of the date hereof.

### **Financial Advisor**

The Yuba Group LLC, also known as Yuba Group Advisors (the “Financial Advisor”), has been retained by the University to serve as its financial advisor in connection with the reoffering of the Series 2004 Bonds. The following two sentences have been provided by the Financial Advisor. The Financial Advisor is not obligated to make, and has not undertaken, an independent verification of any of the information contained in the Reoffering Statement and makes no guarantee as to the accuracy, completeness or fairness of such information. The Financial Advisor is an independent financial advisory and consulting firm and is not engaged in the underwriting or trading of municipal securities or other negotiable instruments.

### **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 5 - DASNY**

### **Background, Purposes and Powers**

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

DASNY provides financing services to its clients in three major areas: public facilities; not-for-profit healthcare; and independent higher education and other not-for-profit institutions. DASNY issues State-supported debt, including State Personal Income Tax Revenue Bonds and State Sales Tax Revenue Bonds, on behalf of public clients such as The State University of New York, The City University of New York, the Departments of Health and Education of the State, the Office of Mental Health, the Office of People with Developmental Disabilities, the Office of Alcoholism and Substance Abuse Services, the Office of General Services, and the Office of General Services of the State on behalf of the Department of Audit and Control. Other public clients for whom DASNY issues debt include Boards of Cooperative Educational Services (“BOCES”), State University of New York, the Workers’ Compensation Board, school districts across the State and certain cities and counties that have accessed DASNY for the purpose of providing court facilities. DASNY’s private clients include independent colleges and universities, private hospitals, certain private secondary schools, special education schools, facilities for the aged, primary care facilities, libraries, museums, research centers and government-supported voluntary agencies, among others.

To carry out its programs, DASNY is authorized to issue and sell negotiable bonds and notes to finance the construction of facilities for such institutions, to issue bonds or notes to refund outstanding bonds or notes and to lend funds to such institutions. At September 30, 2015, DASNY had approximately \$47.3 billion aggregate principal amount of bonds and notes outstanding. DASNY also is authorized to make tax-exempt leases, with its Tax-Exempt Leasing Program (TELP). As part of its operating activities, DASNY also administers a wide variety

of grants authorized by the State for economic development, education and community improvement and payable to both public and private grantees from proceeds of State Personal Income Tax Revenue Bonds issued by DASNY.

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

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

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

DASNY has a staff of approximately 490 employees located in three main offices (Albany, New York City and Buffalo) and at approximately 45 field sites across the State.

### **Governance**

DASNY is governed by an eleven-member board. Board members include the Commissioner of Education of the State, the Commissioner of Health of the State, the State Comptroller or one member appointed by him or her who serves until his or her successor is appointed, the Director of the Budget of the State, one member appointed by the Temporary President of the State Senate, one member appointed by the Speaker of the State Assembly and five members appointed by the Governor, with the advice and consent of the Senate, for terms of three years. The Commissioner of Education of the State, the Commissioner of Health of the State and the Director of the Budget of the State each may appoint a representative to attend and vote at DASNY meetings. The members of DASNY serve without compensation, but are entitled to reimbursement of expenses incurred in the performance of their duties. One of the appointments to the Board by the Governor is currently vacant.

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

The current members of DASNY are as follows:

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

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

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

John B. Johnson, Jr. was reappointed as a Member of DASNY by the Governor on June 19, 2013. Mr. Johnson is Chairman of the Board of the Johnson Newspaper Corporation, which publishes the Watertown Daily Times, Batavia Daily News, Malone Telegram, Catskill Daily Mail, Hudson Register Star, Ogdensburg Journal, Massena-

Potsdam Courier Observer, seven weekly newspapers and three shopping newspapers. He holds a Bachelor's degree from Vanderbilt University, and Master's degrees in Journalism and Business Administration from the Columbia University Graduate School of Journalism and Business. Mr. Johnson was awarded an Honorary Doctor of Science degree from Clarkson University. Mr. Johnson's term expires on March 31, 2016.

SANDRA M. SHAPARD, *Secretary*, Delmar.

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

JONATHAN H. GARDNER, Esq., Buffalo.

Jonathan H. Gardner was appointed as a Member of DASNY by the Governor on June 17, 2014. Mr. Gardner is a partner of the law firm Kavinoky Cook, LLP in Buffalo, New York. His practice areas include corporate and securities law, commercial transactions, private placements, venture capital financing and business combinations representing private and public companies. Mr. Gardner is also an adjunct professor at the University of Buffalo Law School. He holds a Bachelor of Arts degree from Brown University and a Juris Doctor degree from the University of Chicago Law School. Mr. Gardner's term expired on March 31, 2015 and by law he continues to serve until a successor shall be chosen and qualified.

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

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

GERARD ROMSKI, Esq., Mount Kisco.

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

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

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

MARYELLEN ELIA, *Commissioner of Education of the State of New York*, Loudonville; *ex-officio*.

MaryEllen Elia was appointed by the Board of Regents to serve as Commissioner of Education and President of the University of the State of New York effective July 6, 2015. As Commissioner of Education, Ms. Elia serves as Chief Executive Officer of the State Education Department and as President of the

University of the State of New York which is comprised of public and non-public elementary and secondary schools, public and independent colleges and universities, libraries, museums, broadcasting facilities, historical repositories, proprietary schools and services for children and adults with disabilities. Prior to her appointment in New York, Ms. Elia served as Superintendent of Schools in Hillsborough County, Florida for 10 years. She began her career in education in 1970 as a social studies teacher in Buffalo's Sweet Home Central School District and taught for 19 years before becoming an administrator. She holds a Bachelor of Arts degree in History from Daemen College in Buffalo, a Master of Education from the University at Buffalo and a Master of Professional Studies from SUNY Buffalo.

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

Howard A. Zucker, M.D., J.D., was appointed Commissioner of Health on May 5, 2015 after serving as Acting Commissioner of Health since May 5, 2014. Prior to that he served as First Deputy Commissioner leading the state Department of Health's preparedness and response initiatives in natural disasters and emergencies. Before joining the state Department of Health, Dr. Zucker was professor of Clinical Anesthesiology at Albert Einstein College of Medicine of Yeshiva University and a pediatric cardiac anesthesiologist at Montefiore Medical Center. He was also an adjunct professor at Georgetown University Law School where he taught biosecurity law. Dr. Zucker earned his medical degree from George Washington University School of Medicine. He also holds a J.D. from Fordham University School of Law and a LL.M. from Columbia Law School.

MARY BETH LABATE, *Budget Director of the State of New York*, Albany; *ex-officio*.

Mary Beth Labate was appointed Budget Director on January 16, 2015. 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. Ms. Labate previously served as First Deputy Budget Director where she was responsible for managing the day to day operations of the Division of the Budget and playing a lead role in negotiating, establishing and executing the State Budget. Prior thereto, she held leadership positions at the Division of the Budget, the New York State Office of Parks, Recreation and Historic Preservation, and the New York State Division of Housing and Community Renewal. Ms. Labate holds a Bachelor of Arts degree from the University of Notre Dame and a Master of Arts degree in Public Administration from the Rockefeller School of Public Affairs.

The principal staff of DASNY is as follows:

GERRARD P. BUSHHELL is the President and chief executive officer of DASNY. Mr. Bushell is responsible for the overall management of DASNY's administration and operations. Prior to joining DASNY, Mr. Bushell was Director, Senior Institutional Advisor of BNY Mellon's alternative and traditional investment management businesses. Prior thereto, he held a number of senior advisory roles, including Director, Client Partner Group at Kohlberg Kravis Roberts & Co. (KKR), Managing Director, Institutional Sales at Arden Asset Management LLC and Head of Institutional Sales at ClearBridge: a Legg Mason Company (formerly Citi Asset Management). Mr. Bushell previously served as Director of Intergovernmental Affairs for New York State Comptroller H. Carl McCall. Mr. Bushell holds a Bachelor of Arts degree, Master of Arts degree and Ph.D. in Political Science from Columbia University.

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

KIMBERLY J. NADEAU, CPA, J.D. is the Chief Financial Officer and Treasurer of DASNY. As Chief Financial Officer and Treasurer, Ms. Nadeau is responsible for supervising DASNY's investment program, general accounting, accounts payable, accounts receivable and financial reporting functions, as well as the development and implementation of financial policies, financial management systems and internal controls for financial reporting. She previously was Vice President-Accounting and Controller for US Light Energy. Prior to that she was Vice

President-Accounting and Controller for CH Energy Group, Inc. and held various positions culminating in a director level position at Northeast Utilities. Ms. Nadeau also held various positions with increasing responsibility at Coopers & Lybrand LLP. She holds a Bachelor of Science degree in Accounting, a Master of Business Administration with a concentration in Management and a Juris Doctor degree from the University of Connecticut. She is licensed to practice law in New York and Connecticut.

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

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

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

CAROLINE V. GRIFFIN is the Chief of Staff of DASNY. She is responsible for overseeing intergovernmental relations and managing the Communications + Marketing Department, as well as coordinating policy and operations across DASNY's multiple business lines. Ms. Griffin most recently served as the Director of Intergovernmental Affairs for Governor Andrew M. Cuomo where she worked as the Governor's liaison with federal, state and local elected officials and managed staff serving in various capacities in the Governor's Office. Prior to that she served as the Assistant Executive Deputy Secretary for Governor Andrew M. Cuomo overseeing the operations staff and Assistant Secretary for Intergovernmental Affairs for both Governor David A. Paterson and Governor Eliot Spitzer. She holds a Bachelor of Arts degree in Communications from Boston College.

CAPRICE G. SPANN is the Managing Director of the Office of Executive Initiatives. Ms. Spann is responsible for strategic efforts in program development, including the utilization of Minority and Women-Owned Businesses and Service-Disabled Veteran-Owned ("SDVO") Business Enterprises, Information Services and the integration of Sustainability Programs with respect to DASNY's projects and in its business processes. She holds a Bachelor of Arts degree from the University of Wisconsin and a Master of Business Administration from Fordham University.

### **Claims and Litigation**

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

## **Other Matters**

### *New York State Public Authorities Control Board*

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

### *Legislation*

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

### *Environmental Quality Review*

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

### *Independent Auditors*

The accounting firm of KPMG LLP audited the financial statements of DASNY for the fiscal year ended March 31, 2015. Copies of the most recent audited financial statements are available upon request at the offices of DASNY.

## **PART 6 - LEGALITY OF THE SERIES 2004 BONDS FOR INVESTMENT AND DEPOSIT**

Under New York State law, the Series 2004 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 2004 Bonds may be deposited with the State Comptroller to secure deposits of State moneys in banks, trust companies and industrial bank.

## **PART 7 - NEGOTIABLE INSTRUMENTS**

The Series 2004 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 2004 Bonds.

## **PART 8 - TAX MATTERS**

In connection with the original issuance and delivery of the Series 2004 Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to DASNY (“Bond Counsel”), delivered its opinion dated the date of issuance of the Series 2004 Bonds to the effect that, based on an analysis of then-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 2004 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Bond Counsel also opined that interest on the Series 2004 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observed that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel also opined that interest on the Series 2004 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 expressed no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2004 Bonds. A complete copy of the opinion of Bond Counsel delivered in connection with the original issuance of the Series 2004 Bonds is set forth in

Appendix E-1 hereto. No opinion as to the current tax status of the Bonds will be delivered in connection with the reoffering of the Series 2004 Bonds.

As set forth in the Official Statement delivered in connection with the original issuance of the Series 2004 Bonds, 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 2004 Bonds. DASNY and the University previously made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2004 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 2004 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2004 Bonds. The opinion of Bond Counsel assumed the accuracy of these representations and compliance with these covenants. The opinion of Bond Counsel also assumed that the actions of the University, DASNY and other persons taken subsequent to the date of issuance of the Series 2004 Bonds would not cause any of the Series 2004 Bonds to exceed the \$150,000,000 limitation on qualified 501(c)(3) bonds that do not finance hospital facilities, as set forth in Section 145(b) of the Code. 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 2004 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2004 Bonds.

In addition, in rendering its opinion as of the date of original issuance and delivery of the Series 2004 Bonds, Bond Counsel relied on the opinion of James Mingle, Esq., University Counsel, dated the date of original issuance of the Series 2004 Bonds, regarding the qualification of the University as an organization described in Section 501(c)(3) of the Code, the intended operation of the facilities financed and refinanced by the Series 2004 Bonds as being substantially related to the University's charitable purposes under Section 513 of the Code, and other matters. Neither Bond Counsel nor University Counsel can give or has given any opinion or assurance about future activities of the University, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the resulting changes in enforcement thereof by the IRS, and no opinion as to the current qualification of the University as an organization described in Section 501(c)(3) or the use of the facilities financed or refinanced with proceeds of the Series 2004 Bonds is being provided. Failure of the University to be organized and operated in accordance with the IRS's requirements for the maintenance of the University's status as an organization described in Section 501(c)(3) of the Code may result in interest payable with respect to the Series 2004 Bonds being included in federal gross income, possibly from the date of original issuance of the Series 2004 Bonds.

The interest rate mode and certain requirements and procedures contained or referred to in the Resolution, the Loan Agreement, the Tax Certificate and Agreement and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Series 2004 Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel's opinion rendered in connection with the issuance of the Series 2004 Bonds expresses no opinion as to any Series 2004 Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Orrick, Herrington & Sutcliffe LLP.

Although the opinion of Bond Counsel rendered in connection with the issuance of the Series 2004 Bonds stated that interest on the Series 2004 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 2004 Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depend upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expressed no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2004 Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. For example, the Obama Administration's budget proposals in recent years have proposed legislation that would limit the exclusion from gross income of interest on the Series 2004 Bonds to some extent for high-income individuals. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market



price for, or marketability of, the Series 2004 Bonds. Prospective purchasers of the Series 2004 Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel has expressed no opinion.

The opinion of Bond Counsel was based on current legal authority as of the date of original issue of the Series 2004 Bonds, covered certain matters not directly addressed by such authorities, and represented Bond Counsel's judgment as to the proper treatment of the Series 2004 Bonds for federal income tax purposes. It is not binding on the IRS or the courts. Furthermore, Bond Counsel could not give and has not given any opinion or assurance about the activities of DASNY or the University after the date of original issue of the Series 2004 Bonds or about the effect of changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS after the date of original issue of the Series 2004 Bonds. DASNY and the University have previously covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series 2004 Bonds ended with the original issuance of the Series 2004 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend DASNY, the University or the Beneficial Owners regarding the tax-exempt status of the Series 2004 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than DASNY and its 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 DASNY or the University legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2004 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 2004 Bonds and may cause DASNY, the University or the Beneficial Owners to incur significant expense.

#### **PART 9 - STATE NOT LIABLE ON THE SERIES 2004 BONDS**

The Act provides that notes and bonds of DASNY are not a debt of the State, that the State is not liable on them and that such notes and bonds are not payable out of any funds other than those of DASNY. The Resolution specifically provides that the Series 2004 Bonds are not a debt of the State and that the State is not liable on the Series 2004 Bonds.

#### **PART 10 - COVENANT BY THE STATE**

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

#### **PART 11 - LEGAL MATTERS**

Certain legal matters incidental to the authorization and issuance of the Series 2004 Bonds by DASNY were subject to the approval of Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel, whose approving opinion was delivered on May 27, 2004 in connection with the initial issuance of the Series 2004 Bonds and is set forth in Appendix E-1 hereto. The proposed form of opinion to be delivered by Bond Counsel upon delivery of the Substitute Liquidity Facilities is set forth in Appendix E-2 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 Remarketing Agent by its counsel, Ballard Spahr LLP, Philadelphia, Pennsylvania. Certain legal matters will be passed upon for the Bank by its counsel, Emmet, Marvin & Martin, LLP, New York, New York.

There is not now pending any litigation restraining or enjoining the delivery of the Substitute Liquidity Facilities or questioning or affecting the validity of the Series 2004 Bonds or the proceedings and authority under which they were issued.

#### **PART 12 - CONTINUING DISCLOSURE**

In order to assist the Remarketing Agent 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 will enter into a written agreement (the “Continuing Disclosure Agreement”) for the benefit of the Holders of the Series 2004 Bonds with Digital Assurance Certification LLC (“DAC”), as disclosure dissemination agent, the Trustee, and DASNY. The proposed form of the Continuing Disclosure Agreement is attached as Appendix G hereto.

#### **PART 13 - REMARKETING**

Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Remarketing Agent, has agreed, pursuant to the terms and conditions of a Remarketing Agreement dated April 23, 2012, to purchase the Series 2004 Bonds from DASNY at an aggregate purchase price of par plus accrued interest and to make a public offering of the Series 2004 Bonds.

The Series 2004 Bonds may be offered and sold to certain dealers (including the Remarketing Agent) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Remarketing Agent.

#### **PART 14 - RATINGS**

Moody’s Investors Service (“Moody’s”) has assigned a rating of “Aa1” to the long-term obligations of the University. Standard & Poor’s Ratings Services, a division of Standard & Poor’s Financial Services LLC (“Standard & Poor’s”) has assigned a rating of “AA” to the long-term obligations of the University. Moody’s is expected to assign a short-term credit rating of “VMIG 1” to the Series 2004 Bonds and Standard Poor’s is expected to assign a short-term rating of “A-1+” to the Series 2004 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, 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 2004 Bonds.

#### **PART 15 - MISCELLANEOUS**

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

The agreements of DASNY with Holders of the Series 2004 Bonds are fully set forth in the Resolution. Neither any advertisement of the Series 2004 Bonds nor this Reoffering Circular is to be construed as a contract with purchasers of the Series 2004 Bonds.

Any statements in this Reoffering Circular 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. DASNY believes that this information is reliable, but DASNY 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,” “Appendix E-1 – 2004 Opinion of Bond Counsel” and “Appendix E-2 – Form of Opinion of Bond Counsel” have been prepared by Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel.

“Appendix B - Financial Statements of Cornell University (With Independent Auditors’ Report Thereon)” contains the financial statements of the University as of and for the year ended June 30, 2015, which have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their report appearing therein.

“Appendix F – The Bank” has been prepared by The Bank of New York Mellon, New York, New York.

The University has reviewed the parts of this Reoffering Circular describing the University and Appendix B. It is a condition to the delivery of the Series 2004 Bonds that the University certify to the Remarketing Agent and DASNY that, as of the date of this Reoffering Circular and the date of delivery of the Series 2004 Bonds, such parts do not contain any untrue statement of a material fact and do not omit any material fact necessary to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading.

The University has agreed to indemnify DASNY 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 Reoffering Circular by an Authorized Officer have been duly authorized by DASNY.

DORMITORY AUTHORITY OF  
THE STATE OF NEW YORK

By:           /s/ Gerrard P. Bushell            
          Authorized Officer

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## DEFINITIONS

The following are definitions of certain terms used in this Reoffering Circular.

*“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 of 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.

**APPENDIX B**

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

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## Report of Independent Auditors

To the Board of Trustees  
Cornell University

We have audited the accompanying consolidated financial statements of Cornell University (“University”), which comprise the consolidated statement of financial position as of June 30, 2015 and the related consolidated statements of activities and of cash flows for the year then ended.

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

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

### Auditor's Responsibility

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

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

### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cornell University at June 30, 2015, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matter

We have previously audited Cornell University's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 16, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.



October 22, 2015

PricewaterhouseCoopers LLP, 1100 Bausch & Lomb Place, Rochester, NY 14604-2705  
T: (585) 232 4000, F: (585) 454 6594, [www.pwc.com/us](http://www.pwc.com/us)

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2015 (in thousands)  
(WITH COMPARATIVE INFORMATION AS OF JUNE 30, 2014)

	2015	2014
<b>Assets</b>		
1 Cash and cash equivalents	\$ 149,753	\$ 152,873
2 Accounts receivable, net (note 2-A)	414,607	436,760
3 Contributions receivable, net (note 2-B)	1,093,843	1,093,569
4 Prepaid expenses and other assets	142,420	96,979
5 Student loans receivable, net (note 2-C)	76,987	72,803
6 Investments (note 3)	6,986,920	6,848,293
7 Land, buildings, and equipment, net (note 4)	3,788,376	3,713,816
8 Funds held in trust by others (note 5)	118,381	114,212
9 Total assets	<u>\$ 12,771,287</u>	<u>\$ 12,529,305</u>
<b>Liabilities</b>		
10 Accounts payable and accrued expenses	\$ 593,797	\$ 562,882
11 Deferred revenue and other liabilities	237,289	284,866
12 Obligations under split interest agreements (note 5)	139,857	126,224
13 Deferred benefits (note 6)	527,574	476,451
14 Funds held for others (note 7)	195,533	212,832
15 Bonds and notes payable (note 8)	1,542,834	1,570,395
16 Government advances for student loans	52,992	52,275
17 Total liabilities	<u>3,289,876</u>	<u>3,285,925</u>
<b>Net assets (note 11)</b>		
18 Unrestricted	2,970,754	3,014,917
19 Temporarily restricted	3,577,319	3,494,173
20 Permanently restricted	2,933,338	2,734,290
21 Total net assets	<u>9,481,411</u>	<u>9,243,380</u>
22 Total liabilities and net assets	<u>\$ 12,771,287</u>	<u>\$ 12,529,305</u>

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

**CONSOLIDATED STATEMENT OF ACTIVITIES FOR THE YEAR-ENDED JUNE 30, 2015 (in thousands)**  
(WITH SUMMARIZED INFORMATION FOR THE YEAR-ENDED JUNE 30, 2014)

	Unrestricted	Temporarily Restricted
<b>Operating revenues</b>		
1 Tuition and fees	\$ 963,722	\$ -
2 Scholarship allowance	(352,668)	-
3 Net tuition and fees	611,054	-
4 State and federal appropriations	148,712	-
5 Grants, contracts and similar agreements		
6 Direct	461,329	-
7 Indirect cost recoveries	133,439	-
8 Contributions	93,590	227,366
9 Investment return, distributed	196,048	118,294
10 Medical Physician Organization	927,579	-
11 Auxiliary enterprises	157,523	-
12 Educational activities and other sales and services	561,697	-
13 Net assets released from restrictions	223,419	(223,419)
14 Total operating revenues	<u>3,514,390</u>	<u>122,241</u>
<b>Operating expenses (note 10)</b>		
15 Compensation and benefits	2,297,837	-
16 Purchased services	255,159	-
17 Supplies and general	625,337	-
18 Maintenance and facilities costs	134,069	-
19 Interest expense (note 8)	89,447	-
20 Depreciation	259,776	-
21 Total operating expenses	<u>3,661,625</u>	<u>-</u>
22 Change in net assets from operating activities	<u>(147,235)</u>	<u>122,241</u>
<b>Nonoperating revenues and (expenses)</b>		
23 State appropriations for capital acquisitions	28,279	-
24 Grants, contracts and similar agreements for capital acquisitions	11,391	-
25 Contributions for capital acquisitions, trusts and endowments	9,783	140,673
26 Investment return, net of amount distributed	(29,628)	(56,894)
27 Change in value of split interest agreements	3,166	(10,884)
28 Pension and postretirement changes other than net periodic costs	(47,423)	-
29 Change in value of interest rate swaps	(16,419)	-
30 Other	49,731	-
31 Net asset released for capital acquisitions and reclassifications	94,192	(111,990)
32 Change in net assets from nonoperating activities	<u>103,072</u>	<u>(39,095)</u>
33 Change in net assets	(44,163)	83,146
34 Net assets, beginning of the year	3,014,917	3,494,173
35 Net assets, end of the year	<u>\$ 2,970,754</u>	<u>\$ 3,577,319</u>

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

Permanently Restricted	2015 Total	2014 Total	
\$ -	\$ 963,722	\$ 918,408	1
-	(352,668)	(349,255)	2
-	611,054	569,153	3
-	148,712	149,065	4
			5
-	461,329	471,328	6
-	133,439	130,254	7
-	320,956	381,136	8
-	314,342	327,528	9
-	927,579	827,433	10
-	157,523	163,548	11
-	561,697	521,921	12
-	-	-	13
-	3,636,631	3,541,366	14
-	2,297,837	2,151,980	15
-	255,159	235,723	16
-	625,337	555,314	17
-	134,069	143,825	18
-	89,447	91,190	19
-	259,776	231,670	20
-	3,661,625	3,409,702	21
-	(24,994)	131,664	22
-	28,279	28,092	23
-	11,391	-	24
166,154	316,610	442,653	25
19,539	(66,983)	553,899	26
(4,332)	(12,050)	16,747	27
-	(47,423)	(32,428)	28
-	(16,419)	(12,852)	29
(111)	49,620	21,172	30
17,798	-	-	31
199,048	263,025	1,017,283	32
199,048	238,031	1,148,947	33
2,734,290	9,243,380	8,094,433	34
<u>\$ 2,933,338</u>	<u>\$ 9,481,411</u>	<u>\$ 9,243,380</u>	35

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR-ENDED JUNE 30, 2015 (in thousands)

(WITH COMPARATIVE INFORMATION FOR THE YEAR-ENDED JUNE 30, 2014)

	2015	2014
<b>Cash flows from operating activities</b>		
1 Change in net assets	\$ 238,031	\$ 1,148,947
Adjustments to reconcile change in net assets to net cash provided/(used) by operating activities		
2 Proceeds from contributions for capital acquisitions, trusts and endowments	(343,906)	(287,409)
3 Depreciation	259,776	231,670
4 Net realized and unrealized (gain)/loss on investments	(151,411)	(794,792)
5 Pension and postretirement changes other than net periodic costs	47,423	32,428
6 Change in value of interest rate swaps	16,419	12,852
7 Loss on disposals of land, building, and equipment	2,285	1,619
8 Other adjustments	(2,348)	(26,435)
Change in assets and liabilities		
9 Accounts receivable, net	22,153	(98,709)
10 Contributions receivable, net	(274)	(259,107)
11 Prepaid expenses and other assets	(45,475)	8,005
12 Accounts payable and accrued expenses	16,447	(37,860)
13 Deferred revenue and other liabilities	(47,577)	61,500
14 Obligations under split interest agreements	9,464	(1,041)
15 Deferred benefits	3,700	(1,627)
16 Net cash provided/(used) by operating activities	<u>24,707</u>	<u>(9,959)</u>
<b>Cash flows from investing activities</b>		
17 Proceeds from the sale and maturities of investments	6,643,108	8,202,982
18 Purchase of investments	(6,630,290)	(8,001,748)
19 Acquisition of land, buildings, and equipment (net)	(335,823)	(389,909)
20 Student loans granted	(16,109)	(13,371)
21 Student loans repaid	11,524	10,179
22 Change in funds held for others	(17,299)	97,318
23 Net cash used by investing activities	<u>(344,889)</u>	<u>(94,549)</u>
<b>Cash flows from financing activities</b>		
Proceeds from contributions for capital acquisitions, trusts and endowments		
24 Investment in endowments	251,006	164,035
25 Investment in physical plant	87,702	118,861
26 Investment subject to living trust agreements	5,198	4,513
27 Principal payments of bonds and notes payable	(42,951)	(289,540)
28 Proceeds from issuance of bonds and notes payable	15,390	-
29 Government advances for student loans	717	3,074
30 Net cash provided by financing activities	<u>317,062</u>	<u>943</u>
31 Net change in cash and cash equivalents	(3,120)	(103,565)
32 Cash and cash equivalents, beginning of year	152,873	256,438
33 Cash and cash equivalents, end of year	<u>\$ 149,753</u>	<u>\$ 152,873</u>
<b>Supplemental disclosure of cash flow information</b>		
34 Cash paid for interest	\$ 91,639	\$ 92,780
35 Increase/(decrease) in construction payables, non-cash activity	\$ (1,951)	\$ (13,486)
36 Gifts-in-kind	\$ 2,749	\$ 26,217

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

## 1. SIGNIFICANT ACCOUNTING POLICIES

### A. Description of the Organization

Founded in 1865, Cornell University (the University) is dedicated to a mission of learning, discovery, and engagement. Cornell is a private university, the federal land-grant institution of New York State, and a member of the Ivy League. Cornell administers four contract colleges which are also units of the State University of New York. It has been described as the first truly American university because of its founders' revolutionary egalitarian and practical vision of higher education, and is dedicated to its land-grant mission of outreach and public engagement. Cornell's community includes over 22,800 students, more than 3,700 faculty, and nearly 269,000 alumni who live and work across the globe.

The University comprises colleges and schools in Ithaca, New York (seven undergraduate units and four graduate and professional units), New York City (two medical graduate and professional units as part of Weill Cornell Medicine), and Doha, Qatar (the Weill Cornell Medical College in Qatar). Also in New York City, the Cornell Tech campus offers graduate programs in applied sciences, including two programs offered jointly with the Technion - Israel Institute of Technology under the auspices of the Joan and Irwin Jacobs Technion-Cornell Institute (the Jacobs Institute).

The Jacobs Institute plays a key role through interdisciplinary, dual-degree programs in the applied information-based sciences, and offers a global perspective on technology transfer, commercialization, and entrepreneurship. Effective July 1, 2014, the University determined, due to the close integration between the Jacobs Institute and Cornell Tech programs and the operational support provided by the University as a whole, that the University effectively has operational control and, as such, consolidation of the Jacobs Institute into the University's financial statements is appropriate. The consolidation resulted in contribution revenue of \$5,420, which increased unrestricted, temporarily restricted, and permanently restricted net assets by \$1,147, \$3,357, and \$916, respectively. The impact on the consolidated statement of activities of the institute's revenues and expenses during the fiscal year ended June 30, 2015 was immaterial.

The University is subject to the common administrative authority and control of the Cornell University Board of Trustees. The University is prohibited from using funds attributable to the contract colleges (i.e., those colleges operated by the University on behalf of New York State) for other units of the University. Except as specifically required by law, the contract and endowed colleges at Ithaca and Weill Cornell Medicine (WCM) are, to the extent practicable, governed by common management principles and policies determined at the private discretion of the University. In addition to the activities of the endowed university, Contract Colleges, and WCM, 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 are prepared in accordance with U.S. generally accepted accounting principles (GAAP). Net assets, revenues, gains, and losses are categorized based on the existence or absence of donor-imposed restrictions.

The University's Board of Trustees, with consideration of the actions, reports, information, advice, and counsel provided by its duly constituted committees and appointed officers of the University, including University Counsel, has instructed the University to preserve the historical dollar value of donor-restricted (true) endowment funds, absent explicit donor direction to the contrary. As a result, the University classifies as permanently restricted net assets the original gift value of true endowments, plus any subsequent gifts and accumulations made in accordance with the directions of the applicable gift instruments. In

accordance with accounting standards, the portion of the true endowment fund not classified as permanently restricted net assets is classified as temporarily restricted net assets except when the fair value of the endowment fund is less than its historical dollar value. For these “underwater” funds, the difference between historic dollar value and fair value is reflected in unrestricted net assets.

Temporarily restricted net assets also include gifts and appropriations from the endowment that can be expended, but for which the donors’ purpose restrictions have not yet been met, as well as net assets with explicit or implied time restrictions, such as pledges and split interest agreements. 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 restriction lines.

Unrestricted net assets are the remaining net assets of the University.

#### **C. Cash and Cash Equivalents**

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

#### **D. Contributions**

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

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

#### **E. 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 non-marketable 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.

Investment return included in operating revenues consists of amounts appropriated by the Board of Trustees from the pooled endowment, as well as income and realized gains and losses on investments from working capital and non-pooled endowments and similar funds. Unrealized gains and losses on investments, any difference between total return and amounts appropriated from the pooled endowment, and income and realized gains reinvested per donor restrictions are reported as non-operating activities.

#### **F. Fair-Value Hierarchy**

The University values certain financial and non-financial assets and liabilities, on a recurring basis, in accordance with a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. Fair value is defined as the price associated with an orderly transaction between market participants at the measurement date. This fair-value hier-

archy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments, which is based on market data obtained from sources independent of the University. The hierarchy of inputs used to measure fair value, and the primary valuation methodologies used by the University for assets and liabilities measured at fair value, are disclosed below.

The fair value of Level 1 securities is based upon quoted prices in accessible active markets for identical assets. Market price data is generally obtained from exchange or dealer markets. The University does not adjust the quoted price for such assets.

Fair value for Level 2 is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data. Inputs are obtained from various sources, including market participants, dealers, and brokers. In determining fair value of financial instruments, the University considers factors such as interest rate yield curves, duration of the instrument, and counterparty credit risk. The fair value of Level 2 instruments is determined using multiple valuation techniques including the market approach, income approach, or cost approach.

The fair value of Level 3 securities is based upon valuation techniques that use significant unobservable inputs.

Inputs used in applying the various valuation techniques refer to the assumptions that are used to make valuation decisions. Inputs may include price information, credit data, liquidity statistics, and other factors. A financial instrument's level within the fair-value hierarchy is based on the lowest level of any input that is significant to the fair-value measurement. The University considers observable data to be market data that is readily available and reliable and provided by independent sources. The categorization of a financial instrument within the fair-value hierarchy is, therefore, based upon the pricing transparency of the instrument, and does not correspond to the University's perceived risk of that instrument.

#### **G. Derivative 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. The University records the fair value of a derivative instrument within the applicable portfolio. The change in the fair value of a derivative instrument held for investment is included in non-operating investment return in the consolidated statement of activities.

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

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

#### **H. Land, Buildings, and Equipment**

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

The University's collections of art, rare books, and other 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. Split Interest Agreements**

The University's split interest agreements with donors consist primarily of charitable gift annuities, pooled income funds, and charitable trusts for which the University serves as trustee. Assets held in trust are either separately invested or included in the University's investment pools in accordance with the agreements. Contributions of split interest agreements, net of related liabilities, increase temporarily restricted net assets or permanently restricted net assets. Liabilities associated

with charitable gift annuities and charitable remainder trusts represent the present value of the expected payments to the beneficiaries based on the terms of the agreements. Pooled income funds are recognized at the net present value of the net assets expected at a future date. Gains or losses resulting from changes in fair value, changes in assumptions, and amortization of the discount are recorded as changes in value of split interest agreements in the appropriate restriction categories in the non-operating section of the consolidated statement of activities.

#### **J. Funds Held in Trust by Others**

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

#### **K. Endowments**

To ensure full compliance with the New York Prudent Management of Institutional Funds Act (NYPMIFA), a supplemental statement to the University's investment policy was adopted and approved by the Board of Trustees in September 2010. The responsibility for accepting, preserving, and managing the funds entrusted to the University rests, by law, with the Board of Trustees; however, the Trustees have delegated authority for investment decisions to the Investment Committee of the Board of Trustees. The Investment Committee determines investment policy, objectives, and guidelines, including allocation of assets between classes of investments.

The University's investment objective for its endowment assets is to maximize total return within reasonable risk parameters, specifically to achieve a total return, net of expenses, of at least five percent in excess of inflation, as measured by the Consumer Price Index over rolling five-year periods. The achievement of favorable investment returns enables the University to distribute increasing amounts from the endowment over time so that present and future needs can be treated equitably in inflation-adjusted terms. Diversification is a key component of the University's standard for managing and investing endowment funds, and asset allocation targets are subject to ongoing reviews by the Investment Committee of the Board of Trustees.

The University applies the "prudent person" standard when making its decision whether to appropriate or accumulate endowment funds and considers the following factors: the duration and preservation of the endowment fund, the purposes of the institution and the endowment fund, general economic conditions including the potential effect of inflation or deflation, the expected total return of the fund, other resources of the University, the needs of the University and the fund to make distributions and preserve capital, and the University's investment policy.

The Board authorizes an annual distribution, or payout, from endowment funds that is within a target range of 3.65 percent to 5.15 percent of a 12-quarter rolling average of the unit fair value. The Trustees may occasionally make step adjustments, either incremental or decremental, based on prior investment performance, current market conditions, or any of the factors for prudent judgment described above.

Total distributions, or spending, reflected on the consolidated statement of activities includes payout, investment expenses, and service charges that support the general and stewardship costs of the University endowment.

NYPMIFA also established a requirement related to appropriations from endowments for which the fair value falls below the historic dollar value (i.e., "underwater"). The University, in compliance with NYPMIFA, notified available donors who had established endowments prior to September 17, 2010 of the new law, and offered these donors the option of requiring the University to maintain historical dollar value for their endowment funds. A minority of donors requested this option; for those who did, the University has designed procedures to ensure that the University maintains historical dollar value by not expending the payout on any underwater fund.

#### **L. Sponsored Agreements**

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



#### M. Medical Physician Organization

The Medical Physician 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 Physician 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 Physician Organization are designated for the respective clinical departments of WCM.

#### N. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses during the reporting period. Management's assumptions are primarily related to the appropriate discount rate for the purposes of fair-value calculations, to allowances for doubtful accounts, and to self-insured risks. Actual results may differ from those estimates.

#### O. Comparative Financial Information

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

#### P. Accounting Pronouncements

For the fiscal year ended June 30, 2015, the University elected to "early adopt" the disclosure changes required by Accounting Standards Update (ASU) 2015-07 - Fair Value Measurement (Topic 820): *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)*. Investments that are measured using net asset value will no longer be categorized in the fair-value hierarchy. The changes are reflected in Note 3.

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09 - Revenue from Contracts with Customers (Topic 606) at the conclusion of a joint effort with the International Accounting Standards Board to create common revenue recognition guidance for U.S. GAAP and international accounting standards. This framework ensures that entities appropriately reflect the consideration to which they expect to be entitled in exchange for goods and services, by allocating transaction price to identified performance obligations, and recognizing that revenue as performance obligations are satisfied. Qualitative and quantitative disclosures will be required to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The University is evaluating the impact this will have on the consolidated financial statements, and is closely monitoring changes deliberated by the FASB related to implementation and effective date.

In April 2015, the FASB issued ASU 2015-03 - Imputation of Interest (Subtopic 835-30): *Simplifying the Presentation of Debt Issuance Costs*, which requires all costs incurred to issue debt to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability. The University is evaluating the impact this will have on the consolidated financial statements for the fiscal year ending June 30, 2017, the first year in which the standard is effective.

#### Q. Reclassifications

The University reclassified certain prior-year liabilities in the consolidated statement of financial position, and revenue lines in the consolidated statement of activities, to conform to the current year presentation. These changes impacted deferred revenue and other liabilities, bonds and notes payable, tuition and fees, and educational activities and other sales and services lines. There was no effect on total operating results as reported in the prior year.

#### R. Income Taxes

The University is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from income taxes on related income pursuant to the appropriate sections of the Internal Revenue Code. In accordance with the accounting standards, the University evaluates its income tax position each fiscal year to determine whether it is more likely than not to be sustained if examined by the applicable taxing authority. This review had no material impact on the University's consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands)

**2. RECEIVABLES**

**A. Accounts Receivable**

The University's receivables from the sources identified in the table below are reviewed and monitored for aging and other factors that affect collectability.

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

SUMMARY OF ACCOUNTS RECEIVABLE

	<b>2015</b>	<b>2014</b>
Grants and contracts	\$ 118,178	\$ 115,948
New York Presbyterian Hospital and other affiliates	36,155	37,827
Patients (net of contractual allowances)	124,559	112,897
Reinsurance receivable	95,424	78,222
Student accounts	11,636	6,735
Other	54,782	121,967
Gross accounts receivable	<u>\$ 440,734</u>	<u>\$ 473,596</u>
Less: allowance for doubtful accounts	<u>(26,127)</u>	<u>(36,836)</u>
Net accounts receivable	<u>\$ 414,607</u>	<u>\$ 436,760</u>

The patient accounts receivable for medical services was comprised of the following at June 30, 2015 and 2014, respectively: commercial third parties 59.5 percent and 59.5 percent; federal/state government 19.1 percent and 19.8 percent; and patients 21.5 percent and 20.7 percent. Note 12 provides additional information related to the reinsurance receivable.

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

**B. Contributions Receivable**

Unconditional promises to give, or pledges, are recorded in the consolidated financial statements at present value using discount rates ranging from 1.5 percent to 7.0 percent. The methodology for estimating uncollectible amounts is based on an analysis of the historical collectability of contributions receivable. Contributions are expected to be realized as follows:

SUMMARY OF CONTRIBUTIONS RECEIVABLE

	<b>2015</b>	<b>2014</b>
Less than one year	\$ 356,473	\$ 346,079
Between one and five years	703,052	710,680
More than five years	164,546	167,691
Gross contributions receivable	<u>\$ 1,224,071</u>	<u>\$ 1,224,450</u>
Less: unamortized discount	(84,658)	(85,316)
Less: allowance for uncollectible amounts	<u>(45,570)</u>	<u>(45,565)</u>
Net contributions receivable	<u>\$ 1,093,843</u>	<u>\$ 1,093,569</u>

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

EXPECTED PURPOSE OF CONTRIBUTIONS RECEIVABLE

	<b>2015</b>	<b>2014</b>
Program support	\$ 563,993	\$ 533,701
Capital purposes	351,558	378,907
Long-term support	178,292	180,961
Net contributions receivable	<u>\$ 1,093,843</u>	<u>\$ 1,093,569</u>

At June 30, 2015, conditional promises not reflected in the consolidated financial statements, which consist primarily of bequest intentions and conditional promises with significant requirements, were \$487,960.

**C. Student Loans Receivable**

In keeping with Ezra Cornell's vision, the University has a "need-blind" policy of admission. Many students receive financial aid that consists of scholarship/fellowship grants, work-study opportunities and, when appropriate, student loans.

Student loan programs are funded by donor contributions, other institutional sources, and governmental programs, primarily the Federal Perkins Loan Program. The amounts received from the federal government's portion of the Perkins program are ultimately refundable to the federal government and are reported as a liability on the University's consolidated statement of financial position as government advances for student loans.

Credit worthiness is not a factor when granting a student a loan from institutional or federal resources; it is based on financial need. However, once the loan is in repayment status, the University monitors, no less than quarterly, the aging of the student loans receivable. If a loan is 75 days past due, the University generally will not release a transcript and/or diploma. If the loan is 180 days past due, the University evaluates whether to assign the account to an external agency for collection.

The University Bursar is required to authorize any write-off of a student loan receivable; such write-offs are based primarily on the aging report and an evaluation of any recent activity in the account. Overall default rates and an evaluation of general economic conditions are reviewed at least annually. The University, because of its close and continuing relationship with its students and graduates, seeks to work closely with the students to help ensure repayment. At June 30, 2015, the average default rate approximates 12.2 percent, with a rate of approximately 3.2 percent on the federal revolving loan portfolio. Student loans are considered to be in default status when over 150 days past due. The average rate includes both the federal loans and the institutional loans. Institutional loans are generally provided to students with unusual financial needs.

Student loans are often subject to unique restrictions and conditions and, therefore, it is not practical to determine their fair values. The allowance for doubtful accounts is for all loans, whether in repayment status or not.

The two tables below provide additional information about the student loan receivables and the allowances associated with federal and institutional loan programs.

**SUMMARY OF STUDENT LOANS RECEIVABLE**

	<b>2015</b>			<b>2014</b>
	Receivable	Allowance	Net receivable	Net receivable
Federal revolving loans	\$ 50,098	\$ (2,311)	\$ 47,787	\$ 43,341
Institutional loans	31,536	(2,336)	29,200	29,462
Total student loans receivable	\$ 81,634	\$ (4,647)	\$ 76,987	\$ 72,803

**CHANGE IN STUDENT LOAN ALLOWANCE**

	<b>2015</b>			<b>2014</b>
	Federal revolving	Institutional	Total allowance	Total allowance
Allowance at beginning of year	\$ (2,041)	\$ (2,205)	\$ (4,246)	\$ (4,464)
Current year provisions	(270)	(341)	(611)	(231)
Current year write-offs	-	210	210	449
Allowance at end of year	\$ (2,311)	\$ (2,336)	\$ (4,647)	\$ (4,246)

**3. INVESTMENTS****A. General Information**

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

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(dollars in thousands)

The University maintains a number of investment pools or categories for specific purposes as follows:

INVESTMENT POOLS/CATEGORIES AT FAIR VALUE		
	2015	2014
Long-term investments (LTI)		
Long-term investment pool (LTIP)	\$ 5,973,740	\$ 5,896,264
Other LTI	315,583	313,105
Total LTI	<u>\$ 6,289,323</u>	<u>\$ 6,209,369</u>
Intermediate-term	346,714	352,146
Separately invested and other assets	350,883	286,778
Total investments	<u>\$ 6,986,920</u>	<u>\$ 6,848,293</u>

Total earnings on the University's investment portfolio for the fiscal years ended June 30 is presented in the following table:

SUMMARY OF INVESTMENT RETURN		
	2015	2014
Interest and dividends, net of investment fees	\$ 95,948	\$ 86,635
Net realized gain/(loss)	301,502	318,674
Net unrealized gain/(loss)	<u>(150,091)</u>	<u>476,118</u>
Total investment return	<u>\$ 247,359</u>	<u>\$ 881,427</u>

**B. Fair Value**

The University's investment holdings as of June 30, categorized in accordance with the fair-value hierarchy, are summarized in the following table:

INVESTMENTS AT FAIR VALUE						
	Level 1 fair value	Level 2 fair value	Level 3 fair value	Net asset value	2015 Total	2014 Total
Cash and cash equivalents	\$ 596,391	\$ 5,726	\$ -	\$ -	\$ 602,117	\$ 474,993
Derivatives	(969)	(2,273)	-	-	(3,242)	(382)
Equity						
Domestic equity	485,584	63,582	34,450	114,536	698,152	681,562
Foreign equity	671,613	22,711	22,736	230,525	947,585	912,244
Hedged equity	-	-	3,055	721,476	724,531	545,068
Private equity	-	-	20,895	1,188,863	1,209,758	1,178,884
Fixed income						
Asset backed fixed income	-	20,997	1,076	-	22,073	30,852
Corporate bonds	-	404,806	4,111	-	408,917	429,009
Equity partnership	-	92	-	422,919	423,011	308,006
International	36,891	117,526	-	-	154,417	165,431
Municipals	-	30,285	-	-	30,285	37,603
Mutual funds (non-equity)	2,192	47,729	-	-	49,921	49,699
Preferred/convertible	372	21,182	5,094	-	26,648	26,784
Other fixed income	-	6,464	111	-	6,575	5,872
US government	102,852	22,162	-	-	125,014	308,404
Marketable alternatives	-	22	-	653,982	654,004	694,879
Real assets	-	-	22,458	878,092	900,550	1,001,652
Receivable for investments sold	21,674	-	-	-	21,674	20,730
Payable for investments purchased	(38,573)	-	-	-	(38,573)	(43,206)
Other	-	-	23,503	-	23,503	20,209
Total investments	<u>\$ 1,878,027</u>	<u>\$ 761,011</u>	<u>\$ 137,489</u>	<u>\$ 4,210,393</u>	<u>\$ 6,986,920</u>	<u>\$ 6,848,293</u>

Securities not included in investment portfolio

Cash and cash equivalents	\$ 56,168	\$ -	\$ -	\$ -	\$ 56,168	\$ 89,408
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Level 1 investments consist of cash and cash equivalents, equity, and fixed-income securities with observable market prices. Fair value is readily determinable based on quoted prices in active markets. Unsettled trade receivable and payable valuations are reflective of cash settlements subsequent to the fiscal year-end and are also categorized as Level 1. The University does not adjust the quoted price for such instruments, even in situations where the University holds a large position and a sale of all its holdings could reasonably impact the quoted price.

Investments that are classified as Level 2 include domestic and foreign equities, as well as fixed income securities that trade in markets that are not considered to be active. Fair value is based on observable inputs for similar instruments in the market, and obtained by various sources including market participants, dealers, and brokers; the University's custodian secures pricing for these assets. The fair value of derivative investments is based on market prices from the financial institution that is the counterparty to the derivative.

Level 3 investments have significant unobservable inputs, as they trade infrequently or not at all. The inputs into the determination of fair value are based upon the best information in the circumstance and may require significant management judgment. Investments included in Level 3 consist primarily of the University's ownership in real estate, oil and mineral rights, limited partnerships, and equity positions in private companies.

#### **C. Investments Using Net Asset Value**

The net asset value (NAV) column above represents the University's ownership interest in certain alternative investments. As a practical expedient, the University uses its ownership interest in the NAV to determine the fair value of all alternative investments that do not have a readily determinable fair value, and have financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The NAV of these investments is determined by the general partner and is based upon appraisal or other estimates that require varying degrees of judgment. If no public market exists for the investment securities, the general partner will take into consideration, among other things, the cost of the securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate. The University has performed significant due diligence around these investments to ensure that NAV is an appropriate measure of fair value as of June 30.

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The following tables provide additional information about alternative investments measured at NAV:

SUMMARY OF ALTERNATIVE INVESTMENTS MEASURED USING NET ASSET VALUE

Asset class	Strategy	NAV in funds	Remaining life	Unfunded commitments	Timing to draw commitments
Private equity	Buyout	\$ 451,109		\$ 205,484	
	Growth	290,517		114,575	
	Venture capital	447,237		96,724	
	Total private equity	\$ 1,188,863	1 to 10 years	\$ 416,783	1 to 10 years
Real assets	Real estate	571,197		261,251	
	Natural resource	306,895		305,048	
	Total real assets	\$ 878,092	1 to 10 years	\$ 566,299	1 to 10 years
Fixed income	Distressed	171,615		99,886	
	Leveraged loans	59,931		35,395	
	Mezzanine	82,643		41,806	
	Multi-strategy	108,730		28,148	
	Total fixed income	\$ 422,919	1 to 10 years	\$ 205,235	1 to 10 years
Foreign equity	Emerging markets	97,258			
	Global equity	133,267			
	Total foreign equity	\$ 230,525			
Hedged equity	Global equity long/short	278,296			
	U.S. equity long/short	443,180			
	Total hedged equity	\$ 721,476			
Marketable alternatives	Event driven	93,088			
	Multi-strategy	205,893			
	Relative value	30,721			
	Special opportunity	324,280			
	Total marketable alternatives	\$ 653,982			
Domestic equity	Indexed	114,536			
	Total domestic equity	\$ 114,536			
Total for alternative investments using NAV		\$ 4,210,393		\$ 1,188,317	

## REDEMPTION INFORMATION FOR ALTERNATIVE INVESTMENTS MEASURED USING NET ASSET VALUE

Asset class	Redemption terms	Redemption restrictions*
Private equity	n/a **	n/a
Real assets	n/a **	n/a
Fixed income	Semi-annual redemption with 90 days notice***	4.8% of NAV has remaining lock up provisions of 6 months
Foreign equity	Ranges between monthly redemption with 10 days notice, to semi-annual redemption with 60 days notice	No lock up provisions
Hedged equity	Ranges between quarterly redemption with 30 days notice, to triennial redemption with 30 days notice	7.4% of NAV has remaining lock up provisions ranging from 6 months to 24 months
Marketable alternatives	Ranges between quarterly redemption with 14 days notice, to triennial redemption with 90 days notice	No lock up provisions
Domestic equity	Daily redemption with 2 days notice	No lock up provisions

\* Represents initial investment lock up restriction. No other material redemption restrictions, such as redemption gates, were in place at year end.

\*\*These funds are in private equity structure, with no ability to be redeemed.

\*\*\*95.2% of NAV is in private equity structure, with no ability to be redeemed. Redemption provisions for the remaining 4.8% are shown above.

## D. Level 3 Investments

The table below presents a summary of Level 3 investment activity. All net realized and unrealized gains/(losses) in the table are reflected in the accompanying consolidated statement of activities. Net unrealized gains/(losses) relate to those financial instruments held by the University at June 30, 2015. There were no significant transfers into or out of Level 3 during the fiscal year ended June 30, 2015.

## SUMMARY OF LEVEL 3 INVESTMENT ACTIVITY

	Fair value at June 30, 2014	Realized gain/(loss)	Unrealized gain/(loss)	Purchases	Sales	Transfers in/(out) of Level 3	Fair value at June 30, 2015
Equity							
Domestic equity	\$ 2,607	\$ 662	\$ 6,445	\$ 29,853	\$ (5,117)	\$ -	\$ 34,450
Foreign equity	1,941	(1,179)	(364)	49,444	(27,106)	-	22,736
Hedged equity	25	164	(322)	11,925	(8,737)	-	3,055
Private equity	18,741	-	2,209	31	(86)	-	20,895
Fixed income							
Asset backed fixed income	671	-	473	-	(68)	-	1,076
Corporate bonds		-	160	3,951	-	-	4,111
Preferred/convertible	5,083	4	(14)	25	(4)	-	5,094
Other fixed income	25	-	-	86	-	-	111
Real assets	20,765	-	(967)	2,660	-	-	22,458
Other	20,213	342	(70)	3,018	-	-	23,503
Total Level 3 investments	\$ 70,071	\$ (7)	\$ 7,550	\$ 100,993	\$ (41,118)	\$ -	\$ 137,489

Level 3 equities not priced by qualified third parties (e.g., brokers, pricing services, etc.) are valued using discounted cash flow, taking into account various factors including nonperformance risk, counterparty risk, and marketability. Investment

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value is also derived using a market approach through comparison to recent and relevant market multiples of comparable companies. Start-up assets, held by the University's student-run venture fund or other similar programs, are maintained at or near initial investment amounts due to the nature of the activity.

Level 3 asset-backed fixed income investments are valued using discounted cash flows. Preferred/convertible fixed income investments are valued using discounted cash flows or a market approach using a dividend multiplier. Investments in start-up companies, as described above, are valued at or near initial investment amounts.

Level 3 real assets represent directly owned real estate, and oil or mineral rights. To the extent feasible, third party appraisals are used to value real estate directly owned by the University. If current appraisals are not available, fair value is based on the capitalization rate valuation model or discounted cash flow, corroborated by local market data, if available. Oil and mineral rights are valued based on industry standard revenue multiplier methodologies or discounted cash flow.

The following table provides additional information related to the valuation of the investments classified by the University as Level 3.

QUANTITATIVE INFORMATION ABOUT LEVEL 3 FAIR VALUE MEASUREMENT

	Level 3 fair value	Valuation technique(s)	Unobservable input	Range (weighted average)
Equity				
Domestic equity	\$ 3,310	Start-up valuation		
	31,140	Third-party pricing		
Foreign equity	22,736	Third-party pricing		
Hedged equity	3,055	Third-party pricing		
Private equity	17,484	Discounted cash flow/market comparable	Discount rate	4.1% - 12.1% (5.1%)
			Discount for lack of marketability	15% - 20% (19.5%)
			Earnings multiple	8.5x
			Revenue multiple	2.0x
	63	Start-up valuation		
	3,348	Third-party pricing		
Fixed income				
Asset backed fixed income	1,076	Discounted cash flow	Discount rate	3.2% - 3.8% (3.6%)
Corporate bonds	4,111	Third-party pricing		
Preferred/convertible	4,816	Market comparable	Dividend multiple	16.6x - 20.3x (19.5x)
	278	Start-up valuation		
Other fixed income	111	Start-up valuation		
Real assets	10,626	Cap rate valuation model	Capitalization rate	5.0% - 8.0% (6.1%)
	4,881	Discounted cash flow	Discount rate	15%
			Years to maturity	12
	2,230	Sales comparison approach	Recent transactions	
	1,900	Start-up valuation		
	2,821	Third-party pricing		
Other	7,534	Discounted cash flow	Discount rate	2.4% - 5.3% (2.8%)
			Years to maturity	7.0 - 14 (8.1)
	297	Start-up valuation		
	15,672	Third-party pricing		
Total Level 3 investments	\$ 137,489			

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



**E. Derivative Holdings**

The use of certain financial derivative instruments is governed by either the University's written investment policy, specific manager guidelines, or partnership/fund agreement documents. Specifically, financial derivative instruments may be used to manage foreign currency exposure, to obtain commodity exposure, to create synthetic exposure, or to obtain protection against increases in interest rates. These derivatives, based on definitions in GAAP, are not designated as hedging instruments.

As part of its overall diversification strategy, the University allocates a percentage of its assets to investment managers specializing in securities whose prices are denominated in foreign currencies. The investment guidelines provide discretion to these managers to adjust the foreign currency exposure of their investment portfolios by using derivative instruments. The derivatives are used for buying or selling foreign currency under a short-term contract to lock in the dollar cost of a specific pending purchase or sale of a foreign security, and selling foreign currency under a longer-term contract to hedge against a general decline in the dollar value of foreign security holdings.

Some investment managers have discretion, limited by overall investment guidelines, to use derivative instruments to create investment exposures that could not be created as efficiently with other types of investments. These synthetic exposures in the University's portfolio consist of four types: 1) forward contracts used to increase exposure to a foreign currency beyond the level of underlying security investments in that currency; 2) futures contracts used to create exposures to assets where the futures market provides a more efficient investment than the underlying securities; 3) swap contracts, also used to provide a more efficient means to gain exposure than the underlying securities; and 4) option contracts used to adjust the exposure of the long-term portfolio to interest rate volatility.

The University entered into option contracts on interest rate swaps as a way to mitigate the impact of a significant rise in interest rates in the future. Under terms of certain option contracts on interest rate swaps, the University is obligated to make future premium payments. At June 30, 2015 and 2014, the University had unfunded premium payment commitments of \$7,595 and \$12,404 respectively. The University's premium payment schedule is as follows: \$2,185 for the year ending June 30, 2016; \$1,314 for the year ended June 30, 2017; and \$1,024 annually for the years ending June 30, 2018, 2019 and 2020; and \$1,024 thereafter.

The following tables provide detailed information on the derivatives included in the investment portfolio as of June 30. All the derivatives have been deemed Level 2 in the fair-value hierarchy.

## FAIR VALUE OF DERIVATIVE HOLDINGS IN STATEMENT OF FINANCIAL POSITION

Location	Derivative type	2015			2014		
		Notional amount	# of Contracts	Level 2 fair value	Notional amount	# of Contracts	Level 2 fair value
Investments							
	Foreign currency	\$ -	66	\$ (583)	\$ -	67	\$ (632)
	Commodity	-	-	-	264,279	76	409
	Synthetic	(20,862)	40	(2,123)	47,683	28	(227)
	Interest rate	444,703	4	(536)	444,703	4	68
	Total fair value	\$ 423,841	110	\$ (3,242)	\$ 756,665	175	\$ (382)

## EFFECT OF DERIVATIVE HOLDINGS ON STATEMENT OF ACTIVITIES

Location	Derivative Type	2015	2014
		Unrealized gain/(loss)	Unrealized gain/(loss)
Investment return, net of amount distributed			
	Foreign currency	\$ 17	\$ (547)
	Commodity	-	408
	Synthetic	(629)	(331)
	Interest rate	(24,655)	(19,242)
	Total unrealized gain/(loss)	\$ (25,267)	\$ (19,712)

The unrealized gain/loss from derivative holdings affects temporarily restricted net assets for LTIP shares in the permanent endowment; otherwise, the gain/loss affects unrestricted net assets. The net unrealized gain/loss is presented in the operating section of the consolidated statement of cash flow as net realized and unrealized gain/loss on investments.

**4. LAND, BUILDINGS, AND EQUIPMENT****A. General Information**

Land, buildings, and equipment are detailed as follows:

	LAND, BUILDINGS, AND EQUIPMENT	
	Book value at June 30, 2015	Book value at June 30, 2014
Land, buildings, and equipment	\$ 5,137,028	\$ 4,833,428
Furniture, equipment, books, and collections	1,213,226	1,173,595
Construction in progress	311,793	354,044
Total before accumulated depreciation	\$ 6,662,047	\$ 6,361,067
Accumulated depreciation	(2,873,671)	(2,647,251)
Net land, buildings, and equipment	\$ 3,788,376	\$ 3,713,816

Certain properties, for which the University has possession and beneficial use for an indefinite period and which other entities may also record as assets, are included in the consolidated statement of financial position, as follows: (1) land, buildings, and equipment of the Contract Colleges aggregating \$701,264 and \$690,063 at June 30, 2015 and 2014, 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 \$1,853 and \$470 at June 30, 2015 and 2014, respectively.

The future commitments on capital projects in progress on the Ithaca campus, excluding projects funded by New York State, are approximately \$181,463 at June 30, 2015.

**B. Cornell Tech Campus**

In December 2011, the University, in partnership with Technion-Israel Institute of Technology, won the *Applied Sciences NYC* competition to build and operate a new applied sciences and engineering campus in New York City. The city committed through the New York City Economic Development Corporation (NYCEDC) a location and seed funding for the initial construction of the new campus. Under the terms of the agreement with the NYCEDC and the ninety-nine year ground lease for Roosevelt Island, the University made the commitment to create the new applied sciences campus in three phases, with milestones in 2017, 2027 and 2037. In addition, the University has enrollment, faculty, and other operational commitments as part of the agreement.

In 2014, the University broke ground on Roosevelt Island, taking the first steps towards the completion of the Phase I development commitments, which include the first academic building, a residential building, a corporate colocation space, and an executive education facility. The future commitments for these capital projects in progress on the Cornell Tech campus are approximately \$248,873 at June 30, 2015. The total cost of demolition of the existing structures on the site are considered to be a prepaid cost of the ground lease, and will be amortized over the term of the lease. At June 30, 2015, the unamortized amount of the demolition costs is \$47,134.

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

The University reports its obligations under split interest agreements at fair value. The fair value of the obligation is calculated annually and considered Level 3 in the fair-value hierarchy. The discount rate is based on average return of investment grade corporate bonds, weighted using a schedule of actuarial estimates of the lives of the income beneficiaries and the relative value of the agreements.

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

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

## SPLIT INTEREST AGREEMENTS AT FAIR VALUE AND LEVEL 3 QUANTITATIVE INFORMATION

	Valuation methodologies	Unobservable inputs	Range (weighted average)	2015 Total	2014 Total
Funds held in trust by others					
Remainder	Present value calculation	Discount rate Years to maturity	3.60% 0-58 (10)	\$ 64,323	\$ 62,453
Lead and perpetual	Discounted cash flow	Discount rate	4.70%	54,058	51,759
Total funds held in trust by others				\$ 118,381	\$ 114,212
Obligations under split interest agreements	Discounted cash flow	Discount rate Years to maturity	3.80% 0-48 (16)	\$ 139,857	\$ 126,224

## SUMMARY OF LEVEL 3 SPLIT INTEREST AGREEMENT ACTIVITY

	Fair value at June 30, 2014	Realized gain/(loss)	Unrealized gain/(loss)	Purchases	Sales	Transfers in/(out) of Level 3	Fair value at June 30, 2015
Funds held in trust by others							
Remainder	\$ 62,453	\$ 1,707	\$ (474)	\$ 1,316	\$ (679)	\$ -	\$ 64,323
Lead and perpetual	51,759	2,054	139	106	-	-	54,058
Total funds held in trust by others	\$ 114,212	\$ 3,761	\$ (335)	\$ 1,422	\$ (679)	\$ -	\$ 118,381
Obligations under split interest agreements	\$ 126,224	\$ -	\$ 13,633	\$ -	\$ -	\$ -	\$ 139,857

## 6. DEFERRED BENEFITS

### A. General Information

Accrued employee benefit obligations as of June 30 include:

## SUMMARY OF DEFERRED BENEFITS

	2015	2014
Postemployment benefits	\$ 24,800	\$ 29,147
Pension and other postretirement benefits	303,878	256,549
Other deferred benefits	198,896	190,755
Total deferred benefits	\$ 527,574	\$ 476,451

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

### B. Pension and Postretirement Plans

The University's employee retirement plan coverage is provided by two basic types of plans: 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 WCM are carried by the Teachers Insurance and Annuity Association, the College Retirement Equities Fund, the Vanguard Group (WCM only), and Fidelity Investments (Endowed Ithaca only), all of which permit employee contributions. Total costs of the Endowed Ithaca and WCM plans for the fiscal years ended June 30, 2015 and 2014 amounted to \$95,091 and \$92,807, respectively.

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WCM maintains the University's only defined benefit plan. The participants include non-exempt employees at WCM who meet the eligibility requirements for participation. The plan was frozen in 1976 for exempt employees at WCM and the accrued benefits were merged with the active non-exempt retirement plan in 1989.

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, and accrues the cost of these benefits during the service lives of employees.

**C. Obligations and Funded Status**

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

SUMMARY OF OBLIGATIONS AND FUNDED STATUS

	Pension benefits		Other postretirement	
	2015	2014	2015	2014
Change in plan assets				
Fair value of plan assets at beginning of year	\$ 81,857	\$ 69,953	\$ 248,368	\$ 197,270
Actual return on plan assets	3,869	12,286	7,456	37,313
Employer contribution	9,500	5,500	25,027	30,718
Benefits paid	(2,821)	(5,882)	(17,643)	(16,933)
Fair value of plan assets at end of year	\$ 92,405	\$ 81,857	\$ 263,208	\$ 248,368
Change in benefit obligation				
Benefit obligation at beginning of year	\$ 112,162	\$ 90,704	\$ 474,612	\$ 405,791
Service cost (benefits earned during the period)	6,389	5,232	21,060	17,019
Interest cost	5,404	5,001	21,879	21,151
Actuarial (gain)/loss	140	17,107	35,406	44,923
Gross benefits paid	(2,821)	(5,882)	(16,160)	(15,634)
Less: federal subsidy on benefits paid	-	-	1,420	1,362
Projected benefit obligation at end of year	\$ 121,274	\$ 112,162	\$ 538,217	\$ 474,612
Funded status	\$ (28,869)	\$ (30,305)	\$ (275,009)	\$ (226,244)
Amounts recognized in the consolidated statement of financial position	\$ (28,869)	\$ (30,305)	\$ (275,009)	\$ (226,244)
Amounts recorded in unrestricted net assets not yet amortized as components of net periodic benefit cost				
Prior service cost	\$ (600)	\$ (692)	\$ -	\$ (62)
Net actuarial (gain)/loss	18,815	17,233	82,086	36,399
Amount recognized as reduction in unrestricted net assets	\$ 18,215	\$ 16,541	\$ 82,086	\$ 36,337

The accumulated benefit obligation for the pension plans was \$103,858 and \$95,465 at June 30, 2015 and 2014, 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	
	2015	2014	2015	2014
Service cost (benefits earned during the period)	\$ 6,389	\$ 5,232	\$ 21,060	\$ 17,019
Interest cost	5,404	5,001	21,879	21,151
Expected return on plan assets	(5,982)	(4,909)	(18,375)	(15,071)
Amortization of prior service cost	(92)	(92)	(62)	(76)
Amortization of net (gain)/loss	671	150	639	-
Net periodic benefit cost	\$ 6,390	\$ 5,382	\$ 25,141	\$ 23,023

The amounts of prior service costs and actuarial gains/losses that will be amortized into net periodic benefit cost for the year ending June 30, 2016 are estimated as follows:

## ESTIMATED COMPONENTS OF NET PERIODIC BENEFIT COST

	Pension benefits	Other postretirement
Prior service cost	\$ (92)	\$ -
Net actuarial (gain)/loss	600	2,918
Total	\$ 508	\$ 2,918

## E. Actuarial Assumptions

Assumptions used in determining the pension and postretirement plan's benefit obligations and net periodic costs are:

## SUMMARY OF ACTUARIAL ASSUMPTIONS

	Pension benefits		Other postretirement	
	2015	2014	2015	2014
Used to calculate benefit obligations at June 30				
Discount rate	4.80%	4.55%	4.67% / 4.61%	4.47% / 4.39%
Rate of compensation increase	3.00%	3.00%		
Used to calculate net periodic cost at July 1				
Discount rate	4.55%	5.20%	4.47% / 4.39%	5.04% / 4.89%
Expected return on plan assets	7.00%	7.00%	7.30%	7.30%
Rate of compensation increase	3.00%	3.00%		
Assumed health care cost trend rates				
Health care cost trend rate assumed for next year	n/a	n/a	6.50%	6.50%
Ultimate trend rate	n/a	n/a	4.50%	4.50%
Years to reach ultimate trend rate	n/a	n/a	5	4

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 one percent in each future year would increase the benefit obligation by \$111,510 and the annual service and interest cost by \$9,757. Decreasing the health care cost trend rate by one percent in each future year would decrease the benefit obligation by \$79,678 and the annual service and interest cost by \$7,306.

## F. Plan Assets

The University's overall investment objectives for the pension plan and postretirement medical benefit plan assets are broadly defined to include an inflation-adjusted rate of return that seeks growth commensurate with a prudent level of risk. To achieve this objective, the University has established fully discretionary trusts with JP Morgan as trustee and investment manager for WCM's defined benefit pension plan and the postretirement medical benefit plan for the University's endowed employees on the Ithaca campus. Under those trust agreements, JP Morgan establishes investment allocations and implements those allocations through various investment funds in order to carry out the investment objectives. JP Morgan has also been appointed as investment manager for WCM's postretirement medical benefit plan with full discretion as to investment allocations in specific named funds managed by JP Morgan.

The University's Retirement Plan Oversight Committee (RPOC) provides guidance and oversight for the University's retirement plans, including oversight of asset allocation and the performance of both the defined benefit pension plan

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and the postretirement medical benefit plans. The RPOC, in conjunction with its outside consultant, regularly reviews the investment strategies, along with evolving institutional objectives, and will make recommendations regarding possible changes to asset allocation and investment managers accordingly.

Risk mitigation is achieved by diversifying investments across multiple asset classes, investing in high quality securities, and permitting flexibility in the balance of investments in the recommended asset classes. Market risk is inherent in any portfolio, but the investment policies and strategies are designed to avoid concentration of risk in any one entity, industry, country, or commodity. The funds in which the plan assets are invested are well-diversified and managed to avoid concentration of risk.

The expected rate of return assumptions are based on the expertise provided by investment managers at the trustee bank. The factors that impact the expected rates of return for various asset types includes assumptions about inflation, historically based real returns, anticipated value added by investment managers, and expected average asset allocations. The expected return on plan assets by category for the fiscal year ended June 30, 2015 are similar to the prior fiscal year: 6.9 percent on equity securities, 4.4 percent on fixed income securities, and 6.0 percent on real estate, compared to 7.7 percent, 4.6 percent and 6.0 percent, respectively.

The fair values of the pension plan assets and postretirement medical benefit plan assets are categorized according to the fair-value hierarchy. Both the pension plan and postretirement medical benefit plans invest in funds to meet their investment objectives. The asset allocation is based on the underlying assets of the various funds. The fair-value level is based upon each fund as the unit of measure. The fair value of the plans' assets as of June 30 and the rollforward for Level 3 assets are disclosed in the tables below.

SUMMARY OF PLAN ASSETS

	Target allocation	Pension benefits		Other postretirement	
		2015	2014	2015	2014
Percentage of plan assets					
Equity securities	39-85%	63.0%	64.0%	73.0%	73.0%
Fixed income securities	15-55%	31.0%	30.0%	27.0%	27.0%
Real estate	0-5%	6.0%	6.0%	0.0%	0.0%
Total		100.0%	100.0%	100.0%	100.0%

PENSION PLAN ASSETS AT FAIR VALUE

	Level 1	Level 2	Level 3	2015	2014
	fair value	fair value	fair value	Total	Total
Cash and cash equivalents					
Money market	\$ 281	\$ -	\$ -	\$ 281	\$ 196
Equity securities					
U.S. small cap	-	7,062	-	7,062	6,651
U.S. large cap	-	32,727	-	32,727	27,758
U.S. REITS	-	2,323	-	2,323	2,030
Emerging markets	-	3,681	-	3,681	4,895
International equity	-	12,373	-	12,373	11,020
Fixed income securities					
U.S. high yield bonds	-	3,721	-	3,721	3,667
Corporate bonds	-	18,327	-	18,327	13,909
Mortgage-backed securities	-	1,736	2,451	4,187	4,845
International fixed income	-	1,753	-	1,753	1,620
Other types of investments					
Real estate	-	-	5,970	5,970	5,266
Total assets	\$ 281	\$ 83,703	\$ 8,421	\$ 92,405	\$ 81,857

SUMMARY OF LEVEL 3 PENSION PLAN ACTIVITY

	Fair value, June 30, 2014	Realized gain/(loss)	Unrealized gain/(loss)	Purchases	Sales	Transfers in/(out) of Level 3	Fair value, June 30, 2015
	Mortgage-backed securities	\$ 2,928	\$ 254	\$ (127)	\$ 1,096	\$ (1,700)	\$ -
Real estate	5,266	-	429	275	-	-	5,970
Total Level 3 assets	\$ 8,194	\$ 254	\$ 302	\$ 1,371	\$ (1,700)	\$ -	\$ 8,421

## POSTRETIREMENT PLAN ASSETS AT FAIR VALUE

	Level 1 fair value	Level 2 fair value	Level 3 fair value	2015 Total	2014 Total
Cash and cash equivalents					
Money market	\$ 594	\$ 6,694	\$ -	\$ 7,288	\$ 2,362
Equity securities					
U.S. small cap	-	29,887	-	29,887	27,824
U.S. large cap	-	84,846	-	84,846	78,661
Emerging markets	-	24,419	-	24,419	27,631
International equity	-	46,672	-	46,672	40,514
U.S. REITS	-	6,282	-	6,282	6,280
Fixed income securities					
U.S. high yield bonds	-	9,226	-	9,226	9,522
Corporate bonds	-	49,360	-	49,360	50,443
Emerging markets debt	-	5,228	-	5,228	5,131
Total assets	\$ 594	\$ 262,614	\$ -	\$ 263,208	\$ 248,368

**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

	Pension benefits	Other postretirement	
		Employer paid	Government subsidy
University contributions			
2016	\$ 5,500	\$ 25,753	n/a
Future benefit payments			
2016	4,008	20,072	2,054
2017	4,691	21,474	2,264
2018	5,040	23,232	2,494
2019	5,148	25,267	2,722
2020	5,361	27,137	2,952
2021-2025	35,361	162,950	18,927

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, 2015 and 2014 were \$18,942 and \$21,318, respectively, and were included in operating expenses.

**7. FUNDS HELD 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 value of the funds included on the investment line in the consolidated statement of financial position was \$297,637 and \$308,339 for the fiscal years ended June 30, 2015 and 2014, respectively. The University recognizes an offsetting liability for funds held for others, with one adjustment described below.

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The New York Hospital-Cornell Medical Center Fund, Inc. (Center Fund), which benefits Weill Cornell Medicine and the New York-Presbyterian Hospital, is the major external organization invested in the University's long-term investment portfolio with assets and an offsetting liability of \$176,873 and \$179,557 for the fiscal years ended June 30, 2015 and 2014, respectively. Because WCM holds a significant beneficial interest in the assets of the Center Fund, the liability is reduced by \$102,104 and \$95,507 for the fiscal years ended June 30, 2015 and 2014, respectively, representing the present value of the future income stream that will benefit WCM.

The Boyce Thompson Institute for Plant Research (BTI) is an independent, non-profit organization whose mission is to advance and communicate scientific knowledge in plant biology to improve agriculture, protect the environment, and enhance human health. In 2013, the University entered into an agreement with BTI to invest a portion of its endowment. The fair value of BTI investments was \$85,651 and \$87,488 for the fiscal years ended June 30, 2015 and 2014, respectively, with an offsetting liability on the University's consolidated statement of financial position.

**8. BONDS AND NOTES PAYABLE**

**A. General Information**

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

SUMMARY OF BONDS AND NOTES PAYABLE

	<u>2015</u>	<u>2014</u>	<u>Interest rates</u>	<u>Final maturity</u>
Dormitory Authority of the State of New York (DASNY)				
Revenue Bond Series				
1990B-fixed rate	\$ 37,250	\$ 40,095	3.00 to 5.00%	2025
2000A-variable rate/weekly	42,630	44,870	0.01 to 0.13	2029
2000B-variable rate/weekly	58,500	61,160	0.01 to 0.13	2030
2004A&B-variable rate/weekly	71,500	74,175	0.01 to 0.12	2033
2006A-fixed rate	157,795	162,370	4.25 to 5.00	2035
2008B&C-fixed rate	115,115	117,860	5.00	2037
2009A-fixed rate	281,460	287,710	3.00 to 5.00	2039
2010A-fixed rate	285,000	285,000	4.00 to 5.00	2040
Tax-exempt commercial paper	52,890	52,890	0.05 to 0.10	2037
Tompkins County Industrial Development Agency (TCIDA)				
2002A-variable rate/weekly	35,765	37,410	0.01 to 0.11	2030
2002B-variable rate/weekly	-	15,390	0.02 to 0.11	2015
2008A-fixed rate	62,570	64,165	3.00 to 5.00	2037
Urban Development Corporation	1,750	1,875	-	2029
2009 Taxable-fixed rate	250,000	250,000	5.45	2019
2007A Taxable commercial paper	83,890	68,500	0.13 to 0.17	-
Other	6,719	6,925	4.90 to 6.63	2039
Total bonds and notes payable	<u>\$ 1,542,834</u>	<u>\$ 1,570,395</u>		

The University's bonds and notes payable equaled \$1,542,834 and \$1,570,395 at June 30, 2015 and 2014, respectively, compared to estimated fair values of approximately \$1,673,356 and \$1,724,446 at June 30, 2015 and 2014, respectively. The University determines the fair value of its existing fixed-rate debt obligations based on trade data, broker/dealer quotes and other observable market data. Variable-rate debt obligations approximate fair value because the obligations are currently callable at a price equal to the amounts outstanding. The University's debt is classified as Level 2 in the fair-value hierarchy.



The following table provides the amounts of interest paid for the fiscal years ended June 30.

SUMMARY OF INTEREST EXPENSE		
	2015	2014
Interest expense to bondholders and other debt	\$ 59,865	\$ 71,716
Interest expense paid on swap agreements	32,357	26,744
Capitalized interest on capital assets	(2,775)	(7,270)
Total interest expense	\$ 89,447	\$ 91,190

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

Under the DASNY Revenue Bond Series 1990B agreement, the bonds are a general obligation of the University and are secured by a pledge of revenue. The University has not granted a pledge of revenue on other debt.

The University maintains tax-exempt and taxable commercial paper programs. Tax-exempt commercial paper is used to finance qualified capital projects and equipment purchases for the Ithaca and WCM campuses. Taxable commercial paper is also used for these purposes, and can be used to finance short-term working capital needs. The maximum authorized amount of each commercial paper program is \$200,000.

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

ANNUAL DEBT SERVICE REQUIREMENTS			
Year	Principal	Interest	Total
2016	\$ 28,742	\$ 95,034	\$ 123,776
2017	30,080	89,769	119,849
2018	31,499	85,101	116,600
2019	282,929	81,937	364,866
2020	34,359	64,891	99,250
Thereafter	1,135,225	773,812	1,909,037
Total	\$ 1,542,834	\$ 1,190,544	\$ 2,733,378

The University estimates future interest payments on variable-rate debt based on the five-year Securities Industry and Financial Markets Association (SIFMA) swap rate for tax-exempt debt and the five-year London Interbank Offered Rates (LIBOR) swap rate for taxable debt.

#### B. Interest Rate Swaps

The University approved the use of interest rate swaps to mitigate interest rate risk in the debt portfolio. Interest rate swaps are derivative instruments; however, their use by the University is not considered to be hedging activity, based on definitions in generally accepted accounting principles.

Through the use of interest rate swap agreements, the University is exposed to the risk that counterparties will fail to meet their contractual obligations. To mitigate counterparty risk, the University maintains a \$400 million dollar-limit swap exposure for each counterparty. Master agreements with counterparties include netting arrangements that permit the University to net amounts due to the counterparty with amounts due from the counterparty. Utilizing netting arrangements reduces the maximum loss in the event of counterparty default.

The University's swap agreements contain a credit-rating-contingent feature in which the counterparties can request collateral on agreements in net liability positions. The University could be required to post collateral if the University's credit rating is downgraded to A1 by Moody's Investors Service or A+ by Standard & Poor's Rating Services, and the agreement is in a liability position of \$20 million or greater. At June 30, 2015 and 2014, the University did not have collateral on deposit with any counterparty.

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The University's interest rate swaps are valued by an independent third party that uses the mid-market levels, as of the close of business, to value each agreement. The valuations provided are derived from proprietary models based upon well-recognized financial principles and reasonable estimates about relevant future market conditions and the University's credit worthiness. The University's interest rate swaps are classified as Level 2 in the fair-value hierarchy.

At June 30, 2015, the University had six interest rate swap agreements to exchange variable-rate cash flows for fixed-rate cash flows without the exchange of the underlying principal amount. Net payments or receipts of these swap agreements are recorded as adjustments to interest expense in the consolidated statement of activities, and the incremental interest expense is disclosed in the second table in the previous section. In all agreements in effect at June 30, 2015, the counterparty pays a variable interest rate equal to a percentage of the one-month LIBOR.

The following table provides detailed information on the interest rate swaps at June 30, 2015, with comparative fair values for June 30, 2014. The swaps are reported based on notional amount.

FAIR VALUE OF INTEREST RATE SWAPS IN STATEMENT OF FINANCIAL POSITION

Location	Notional amount	Interest rate	Commencement	Termination date	Basis	2015 Level 2 fair value	2014 Level 2 fair value
Accounts payable and accrued expenses							
	\$ 94,870	2.99 %		October 1, 2015	LIBOR	\$ (887)	\$ (3,533)
	37,410	4.52		July 1, 2030	LIBOR	(8,263)	(8,706)
	94,233	3.92		July 1, 2038	LIBOR	(21,807)	(20,811)
	275,000	3.88		July 1, 2040	LIBOR	(86,992)	(77,092)
	200,000	3.48		July 1, 2041	LIBOR	(39,730)	(36,062)
	200,000	3.77		July 1, 2044	LIBOR	(49,059)	(44,115)
Total fair value						\$ (206,738)	\$ (190,319)

Activity related to interest rate swaps affects unrestricted net assets, and in the consolidated statement of cash flows, is presented on the change in value of interest rate swaps line in the operating activities section.

C. Standby Bond Purchase Agreements

The University has standby bond purchase agreements with various financial institutions to purchase any of the University's variable-rate demand bonds in the event that these bonds cannot be remarketed. In the event that the bonds covered by these standby bond purchase agreements cannot be remarketed and the agreements are not otherwise renewed, the University would be required to redeem the bonds or refinance the bonds in a different interest rate mode. In the event that the bonds cannot be remarketed and the University did not redeem, the Annual Debt Service Requirements table would be increased by \$174,350 and \$34,045 for the fiscal years ending June 30, 2016 and 2017, respectively. Detailed information about the standby purchase agreements is shown in the following table:

SUMMARY OF STANDBY PURCHASE AGREEMENTS

Series	Provider	Expiration
2000A	JP Morgan Chase	Jul-16
2000B	JP Morgan Chase	Jul-16
2002A	Northern Trust	Jun-17
2004A&B	HSBC Bank	Apr-16

D. Lines of Credit

The University records the working capital lines of credit activity and outstanding balances as other liabilities in the consolidated statement of financial position. The two \$100 million lines of credit have annual expiration dates of December 31 and April 1. As of June 30, 2015 and 2014, the University had not borrowed against the lines of credit.

**9. OPERATING LEASES**

Although the University generally purchases, rather than leases, machinery and equipment, the University does enter into operating lease agreements for the use of real property. Total lease expenses were \$29,172 and \$26,009 for the fiscal years ended June 30, 2015 and 2014, respectively. The future annual minimum lease payments in the following table are payments under operating leases expiring at various dates through June 30, 2068.

ANNUAL MINIMUM OPERATING LEASE PAYMENTS	
Year	Payments
2016	\$ 30,053
2017	29,705
2018	28,912
2019	29,953
2020	29,856
Thereafter	310,994
Total minimum operating lease payments	\$ 459,473

**10. FUNCTIONAL EXPENSES AND STUDENT AID**

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

FUNCTIONAL EXPENSES		
	2015	2014
Instruction	\$ 809,829	\$ 775,394
Research	568,510	529,554
Public service	125,829	125,028
Academic support	268,795	252,967
Student services	158,047	142,483
Medical services	938,350	841,664
Institutional support	527,059	488,152
Enterprises and subsidiaries	265,206	254,460
Total expenses	\$ 3,661,625	\$ 3,409,702

The expenses for operations and maintenance of facilities, depreciation, and interest related to capital projects are allocated to functional categories based on square footage. The amounts allocated for operations and maintenance were approximately \$224,652 and \$217,550 for the fiscal years ended June 30, 2015 and 2014, respectively.

Student financial assistance is shown as a component of instruction expense unless the assistance is for tuition and mandatory fees. If the assistance is for tuition and mandatory fees, the amounts are recorded as scholarship allowance, which reduces tuition revenue. Total financial assistance amounts classified as instruction expense were \$46,575 and \$44,472 for the fiscal years ended June 30, 2015 and 2014, respectively.

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(dollars in thousands)

**11. NET ASSETS**

**A. General Information**

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

SUMMARY OF NET ASSETS

	Unrestricted	Temporarily restricted	Permanently restricted	2015 Total	2014 Total
<b>Endowment</b>					
True endowment	\$ (15,174)	\$ 1,647,611	\$ 2,489,215	\$ 4,121,652	\$ 4,010,713
Funds functioning as endowment (FFE)	1,382,894	378,971	-	1,761,865	1,734,156
Total true endowment and FFE	\$ 1,367,720	\$ 2,026,582	\$ 2,489,215	\$ 5,883,517	\$ 5,744,869
Funds held by others, perpetual	-	-	154,029	154,029	145,079
Total University endowment	\$ 1,367,720	\$ 2,026,582	\$ 2,643,244	\$ 6,037,546	\$ 5,889,948
<b>Other net assets</b>					
Operations	(272,188)	361,643	-	89,455	(26,723)
Student loans	5,984	113	44,626	50,723	49,974
Facilities and equipment	2,479,138	162,851	-	2,641,989	2,597,370
Split interest agreements	-	65,270	45,590	110,860	113,929
Funds held by others, other than perpetual	-	45,310	21,585	66,895	64,639
Contributions receivable, net	-	915,550	178,293	1,093,843	1,093,569
Long-term accruals	(609,900)	-	-	(609,900)	(539,326)
Total net assets	\$ 2,970,754	\$ 3,577,319	\$ 2,933,338	\$ 9,481,411	\$ 9,243,380

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. Long-term accruals represent longer term liabilities including the unfunded amount of pension and postretirement benefits, vacation accruals, conditional asset retirement obligations for asbestos remediation, and fair value adjustment on interest rate swaps.

**B. Endowment**

The University endowment net assets at June 30 were held in support of the following purposes:

SUMMARY OF ENDOWMENT PURPOSE

	2015	2014
Academic programs and research	\$ 1,645,643	\$ 1,608,989
Financial aid	1,540,842	1,515,017
Professorships	1,190,638	1,174,536
General purpose and other	1,232,599	1,222,476
Facilities support	127,811	130,212
CU Foundation	145,984	93,639
Total true endowment and FFE, end of year	\$ 5,883,517	\$ 5,744,869

Of the endowment assets held at the University, 96 percent and 97 percent were invested in the LTIP at June 30, 2015 and 2014, respectively. 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 five years. The University employs a unit method of accounting for the LTIP. Each participating fund enters into and withdraws from the pooled investment account based on monthly unit fair values. Participation in the LTIP using unrestricted funds requires a minimum investment of one hundred thousand dollars and a commitment of at least five years.

At June 30, 2015, 388 of 6,722 true endowment funds invested in the LTIP had a total historic dollar value of \$167,168 and a fair value of \$151,994, resulting in these endowments being underwater by a total of \$15,174. The University holds significant appreciation on endowments to offset these temporary decreases in value. The University has maintained these true endowment funds at their historical book value.

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

## SUMMARY OF ENDOWMENT ACTIVITY

	Unrestricted	Temporarily restricted	Permanently restricted	2015 Total	2014 Total
True endowment and FFE, beginning of year	\$ 1,407,415	\$ 2,034,504	\$ 2,302,950	\$ 5,744,869	\$ 5,140,215
Investment return					
Net investment income	14,526	37,689	(363)	51,852	44,698
Net realized and unrealized gain/(loss)	31,948	108,785	1,128	141,861	747,031
Total investment return	\$ 46,474	\$ 146,474	\$ 765	\$ 193,713	\$ 791,729
New gifts	3,848	76,210	161,059	241,117	162,578
Amounts appropriated for expenditure/reinvestment	(75,168)	(202,554)	4,559	(273,163)	(277,500)
Other changes and reclassifications	(14,849)	(28,052)	19,882	(23,019)	(72,153)
Total true endowment and FFE, end of year	\$ 1,367,720	\$ 2,026,582	\$ 2,489,215	\$ 5,883,517	\$ 5,744,869

**12. SELF-INSURANCE**

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

**A. Medical Malpractice**

The University, along with other institutions of higher education that have medical practices, obtains medical malpractice insurance through MCIC Vermont (MCIC). MCIC is a reciprocal risk retention group that provides medical malpractice insurance coverage and risk management services to its subscribers. All of WCM's faculty physicians are enrolled in MCIC. The medical malpractice incurred but not reported liability is calculated annually on an actuarial basis.

WCM has recorded medical malpractice liabilities of \$139,004 and \$120,318 at June 30, 2015 and 2014, respectively, as other liabilities in the consolidated statement of financial position. In addition, WCM maintains a reinsurance program with MCIC with anticipated recoveries of \$95,424 and \$78,222, respectively, recorded as accounts receivable (Note 2A).

**B. Student Health Plan**

During the fiscal year ended June 30, 2015, the University established a self-funded student health plan under Section 1124 of the New York State Insurance Law (NYSIL). The Student Health Plan (SHP) provides extensive health insurance coverage at a reasonable cost to students at the University's Ithaca-based campuses. SHP was developed especially for students (and their dependents) to provide access to convenient and comprehensive care that complements the quality health services offered on campus. The plan year began on August 17, 2014. The table below presents a summary of SHP operations occurring during the University's fiscal year ended June 30, 2015.

## SUMMARY OF STUDENT HEALTH PLAN OPERATIONS

	July 1 - August 16 (prior plan year)	August 17 - June 30 (current plan year)	2015 Fiscal year total
Total Premium Revenue	n/a	\$ 22,466	\$ 22,466
Expenses			
Medical and prescription drug expense	n/a	13,387	13,387
Health center capitation	n/a	2,937	2,937
Administrative fees	n/a	2,305	2,305
Total expenses	n/a	\$ 18,629	\$ 18,629
Net income from health plan operations	n/a	\$ 3,837	\$ 3,837

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(dollars in thousands)

The University has established reserves with the amounts necessary to satisfy obligations of the plan. Based on an analysis and recommendation of a qualified actuary, and with the approval of New York State, the reserve for medical claims incurred but not reported (IBNR) is maintained at an amount not less than 14.5 percent of expected medical claims and 5 percent of expected pharmacy drug claims. In addition, a separate contingency reserve has been established for the purpose of satisfying unexpected obligations in the event of termination of the plan. The contingency reserve is maintained at an amount not less than 5 percent of the total current plan year premiums and is invested in the University's endowment. NYS requires that the assets of the contingency reserve consist of certain investments of the types specified in Section 1404 of NYSIL. The specified types of investments include U.S. government securities, of which the University holds \$125,014 in its investment portfolio as of June 30, 2015 (Note 3B). The changes in the unearned premiums and SHP reserves during the fiscal year ended June 30, 2015 are presented below.

SUMMARY OF STUDENT HEALTH PLAN UNEARNED PREMIUMS AND RESERVES

	Unearned premiums	IBNR reserve	Contingency reserve
Balance as of July 1	\$ -	\$ 2,309	\$ 1,243
Balance as of June 30	3,412	2,409	1,374
Net change	\$ 3,412	\$ 100	\$ 131

**13. 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.

**14. SUBSEQUENT EVENTS**

The University has performed an evaluation of subsequent events through October 22, 2015, the date on which the consolidated financial statements were issued and determined no material impact on the University's consolidated financial statements.

**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 2004 Bonds. Such summary does not purport to be complete and reference is made to the Loan Agreement for full and complete statements of such and all provisions. Defined terms used herein shall have the meanings ascribed to them in Appendix A.

**Duration of Agreement**

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

*(Section 43)*

**Construction of Projects**

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

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

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

copies of all invoices, paid or unpaid;

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

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

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

4. The University shall permit the Authority and its authorized representatives, at any time during normal business hours, to enter upon the property of the University, the Projects to inspect the Projects and all materials, fixtures and articles used or to be used in construction of the Projects, and to examine all Contract Documents. The University shall furnish to the Authority and its authorized representatives, when requested, copies

of such Contract Documents. The University agrees to retain all documentation of expenditures for items which constitute Costs of the Project for at least seven (7) years after the date of completion of the Project to which such documentation relates.

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

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

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

*(Section 5)*

#### **Amendment of a Project; Cost Increases; Additional Bonds**

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

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

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

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



additional Bonds shall be deposited and applied as specified in the Series Resolution authorizing such Bonds or the Bond Series Certificate relating to such Series of Bonds.

*(Section 6)*

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

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

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

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

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

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

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

(f) [RESERVED]

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

(h) Promptly after notice from the Authority, but in any event not later than fifteen (15) days after such notice is given, the amount set forth in such notice as payable to the Authority (i) for the Authority Fee then unpaid, (ii) to reimburse the Authority for payments made pursuant to subdivision 5 of Section 9 of the Loan Agreement and any expenses or liabilities incurred by the Authority pursuant to the Loan Agreement, (iii) for the costs and expenses incurred to compel full and punctual performance of all the provisions of the Loan Agreement, and the Resolution in accordance with the terms of the Loan Agreement and the Resolution, (iv) for the fees and expenses of the Trustee and any Paying Agent in connection with performance of their duties under the Resolution, and (v) for any external costs or expenses attributable to the issuance of a Series of Bonds or the financing or construction of a Project, including but not limited to any fees or other amounts payable under a Remarketing Agreement, a Credit Facility or a Liquidity Facility;

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

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

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

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

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

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

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

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

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

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

The Authority directs the University, and the University agrees, to make the payments required by paragraphs (c), (d), (e), (j) and (o) of subdivision 1 of Section 9 of the Loan Agreement directly to the Trustee for deposit in the Debt Service Fund and application in accordance with the Resolution, the payments required by paragraph (b) of subdivision 1 of Section 9 of the Loan Agreement directly to the Trustee for deposit in a Construction Fund or other fund established under the Resolution, as directed by an Authorized Officer of the

Authority, the payments required by paragraph (n) of subdivision 1 of Section 9 of the Loan Agreement directly to the Trustee for deposit in the Arbitrage Rebate Fund, the payments required by paragraph (k) of subdivision 1 of Section 9 of the Loan Agreement as directed by an Authorized Officer of the Authority, the payments required by paragraphs (a), (g), (h), (i), (l), (m), (p) and (q) of subdivision 1 of Section 9 of the Loan Agreement directly to or upon the order of the Authority.

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

3. The obligations of the University to make payments or cause the same to be made under the Loan Agreement shall be complete and unconditional and the amount, manner and time of making such payments shall not be decreased, abated, postponed or delayed for any cause or by reason of the happening or non-happening of any event, irrespective of any defense or any right of set-off, recoupment or counterclaim which the University may otherwise have against the Authority, the Trustee or any Bondholder for any cause whatsoever including, without limiting the generality of the foregoing, failure of the University to complete a Project or the completion thereof with defects, failure of the University to occupy or use a Project, any declaration or finding that the Bonds or any Series of Bonds are, or the Resolution is, invalid or unenforceable or any other failure or default by the Authority or the Trustee; provided, however, that nothing in the Loan Agreement shall be construed to release the Authority from the performance of any agreements on its part in the Loan Agreement contained or any of its other duties or obligations, and in the event the Authority shall fail to perform any such agreement, duty or obligation, the University may institute such action as it may deem necessary to compel performance or recover damages for non-performance. Notwithstanding the foregoing, the Authority shall have no obligation to perform its obligations under the Loan Agreement to cause advances to be made to reimburse the University for, or to pay, the Costs relating to a Project, beyond the extent of moneys available in the Construction Fund established for such Project,

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

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

5. The Authority shall have the right in its sole discretion to make on behalf of the University any payment required pursuant to Section 9 of the Loan Agreement which has not been made by the University when

due. No such payment by the Authority shall limit, impair or otherwise affect the rights of the Authority pursuant to the Loan Agreement arising out of the University's failure to make such payment and no payment by the Authority shall be construed to be a waiver of any such right or of the obligation of the University to make such payment.

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

*(Section 9)*

#### **Consent to Pledge and Assignment by the Authority**

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

The University covenants, warrants and represents that it is or, with response to actions to be taken after the date of execution of the Loan Agreement, would be duly authorized by all applicable laws, its charter and by-laws or Resolution adopted pursuant thereto to enter into the Loan Agreement, any Remarketing Agreement and any Liquidity Facility, to incur the indebtedness contemplated thereby. The University further covenants that the provisions thereof are and shall be valid and legally enforceable obligations of the University in accordance with their terms. The University further covenants, warrants and represents that the execution and delivery thereof, and the consummation of the transaction contemplated and compliance with the provisions thereof, do not violate, conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, the charter or by-laws of the University or any indenture or mortgage, or any trusts, endowments or other commitments or agreements to which the University is party or by which it or any of its properties are bound, or any existing law, rule, regulation, judgment, order, writ, injunction or decree of any governmental authority, body, agency or other instrumentality or court having jurisdiction over the University or any of its properties.

*(Section 10)*

#### **Management Consultant**

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

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

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

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

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

*(Section 14)*

#### **Maintenance of Corporate Existence**

The University covenants that it will maintain its corporate existence, will continue to operate as an institution for higher education, will obtain, maintain and keep in full force and effect such governmental approvals, consents, licenses, permits and accreditations as may be necessary for the continued operation of the University as an institution for higher education providing such programs of instruction as it may from time to time determine, will not dissolve or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into another corporation or permit one or more corporations to consolidate with or merge into it; provided, however, that if no Event of Default shall have occurred and be continuing and prior written notice shall have been given to the Authority and the Trustee, the University may (i) sell or otherwise transfer all or substantially all of its assets to, or consolidate with or merge into, another organization or corporation which qualifies under Section 501(c) (3) of the Code, or any successor provision of federal income tax law, or (ii) permit one or more corporations or any other organization to consolidate with or merge into it, or (iii) acquire all or substantially all of the assets of one or more corporations or any other organization; provided, however, (a) that any such sale, transfer, consolidation, merger or acquisition does not in the opinion of counsel satisfactory to the Authority adversely affect the exemption from federal income tax of the interest paid or payable on the Bonds, (b) that the surviving, resulting or transferee corporation, as the case may be, is incorporated under the laws of the State, and qualified under Section 501(c) (3) of the Code or any successor provision of federal income tax law, and (c) that the surviving, resulting or transferee corporation, as the case may be, assumes in writing all of the obligations of and restrictions on the University under the Loan Agreement and under any Remarketing Agreement, any Liquidity Facility, any Credit Facility and furnishes to the Authority a certificate to the effect that upon such sale, transfer, consolidation, merger or acquisition such corporation shall be in compliance with each of the provisions of the Loan Agreement and shall meet the requirements of the Act. Furthermore, such sale, transfer, consolidation, merger, acquisition or other disposition shall occur only if, after giving effect to such sale, transfer, consolidation, merger, acquisition or other disposition, (x) no Event of Default would exist under the Loan Agreement or under the Resolution and, (y) the surviving, resulting or transferee corporation is in compliance with the covenants contained in Sections 11, 12 and 13 the Loan Agreement on the date of such sale, transfer, consolidation, merger, acquisition or other disposition.

*(Section 18)*

## **Tax-Exempt Status**

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

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

*(Section 16)*

## **Arbitrage; Rebate Calculations**

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

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

*(Section 36)*

## **Use of Projects**

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

*(Section 20)*

## **Covenant as to Insurance**

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

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

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

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

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

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

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

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

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

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

3. Any insurance procured and maintained by the Authority or the University pursuant to Section 23 of the Loan Agreement, including any blanket insurance policy, may include reasonable deductible provisions

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

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

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

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

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

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

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

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

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

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

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

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

*(Section 23)*

### **Defaults and Remedies**

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

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

the University defaults in the due and punctual performance of any other covenant in the Loan Agreement contained and such default continues for thirty (30) days after written notice requiring the same to be remedied shall



have been given by the Authority or the Trustee, provided that, if in the determination of the Authority such default can not be corrected within such thirty (30) day period, it shall not constitute an Event of Default if corrective action is instituted by the University within such period and is diligently pursued until the default is corrected;

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

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

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

the charter of the University shall be suspended or revoked;

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

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

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

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

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

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

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

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

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

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

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

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

*(Section 29)*

**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 Arbitrate 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 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.

(Section 7.11)

### **Defeasance**

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

2. Bonds for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Trustee (through deposit of moneys for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in

subdivision 1 of Section 12.01 of the Resolution. All Outstanding Bonds of any Series or any maturity within a Series or a portion of a maturity within a Series shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in subdivision 1 of Section 12.01 of the Resolution if (a) in case any of such Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee, in form satisfactory to it, irrevocable instructions to give as provided in the Resolution notice of redemption on such date of such Bonds, (b) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Securities the principal of and interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be, (c) the Trustee shall have received the written consent to such defeasance of each Facility Provider which has given written notice to the Trustee and the Authority that amounts advanced under a Credit Facility or Liquidity Facility issued by it or the interest thereon have not been repaid to such Facility Provider, and (d) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority shall have given the Trustee, in form satisfactory to it, irrevocable instructions to give, as soon as practicable, by first class mail, postage prepaid, to the Holders of such Bonds at their last known addresses appearing on the bond registration books, and, if directed by an Authorized Officer of the Authority, by publication, at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper, a notice to the Holders of such Bonds that the deposit required by (b) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with Section 12.01 of the Resolution and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds. The Authority shall give written notice to the Trustee of its selection of the maturity payment of which shall be made in accordance with Section 12.01 of the Resolution. The Trustee shall select the Bonds of like Series and maturity payment of which shall be made in accordance with Section 12.01 of the Resolution in the manner provided in the Resolution. Neither the Defeasance Securities nor moneys deposited with the Trustee pursuant to Section 12.01 of the Resolution nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds; provided that any moneys received from such principal or interest payments on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable and subject to any applicable tax covenant, be reinvested in Defeasance Securities maturing at times and in amounts sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest to become due on such Bonds on and prior to such redemption date or maturity date thereof, as the case may be; and provided further, however, that moneys and Defeasance Securities may be withdrawn and used by the Authority for any purpose upon (i) the simultaneous substitution therefor of either moneys in an amount which shall be sufficient, or Defeasance Securities the principal of and interest on which when due will provide moneys which without regard to reinvestment, together with the moneys, if any, held by or deposited with the Trustee at the same time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption price, if applicable, and interest due and to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (ii) receipt by the Trustee of a letter or other written report of a firm of independent certified public accountants verifying the accuracy of the arithmetical computations which establish the adequacy of such moneys and Defeasance Securities for such purpose. Any income or interest earned by, or increment to, the investment of any such moneys so deposited, shall, to the extent certified by the Trustee to be in excess of the amounts required thereinabove to pay the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds, as realized, be paid by the Trustee as follows: first, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of an Authorized Officer of the Authority; second, to the Authority the amount certified by an Authorized Officer of the Authority to be then due or past due pursuant to the Loan Agreement for fees and expenses of the Authority or pursuant to any indemnity; and, then, the balance thereof to the University, and any such moneys so paid by the Trustee shall be released of any trust, pledge, lien, encumbrance or security interest created by the Resolution or by the Loan Agreement.

3. For purposes of determining whether Variable Interest Rate Bonds shall be deemed to have been paid prior to the maturity or the redemption date thereof, as the case may be, by the deposit of moneys, or Defeasance Securities and moneys, if any, in accordance with the second sentence of subdivision 2 of Section 12.01 of the



Resolution, the interest to come due on such Variable Interest Rate Bonds on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated at the Maximum Interest Rate permitted by the terms thereof; provided however, that if on any date, as a result of such Variable Interest Rate Bonds having borne interest at less than such Maximum Interest Rate for any period, the total amount of moneys and Defeasance Securities on deposit with the Trustee for the payment of interest on such Variable Interest Rate Bonds is in excess of the total amount which would have been required to be deposited with the Trustee on such date in respect of such Variable Interest Rate Bonds in order to satisfy subdivision 2 of Section 12.01 of the Resolution, the Trustee shall, if requested by the Authority, pay the amount of such excess to the Arbitrage Rebate Fund in accordance with the directions of an Authorized Officer of the Authority and the balance thereof, if any, to the Authority free and clear of any trust, pledge, lien, encumbrance or security interest created by the Resolution or by the Loan Agreement.

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

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

*(Section 12.01)*

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**2004 OPINION OF BOND COUNSEL**

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ORRICK, HERRINGTON & SUTCLIFFE LLP  
666 FIFTH AVENUE  
NEW YORK, NY 10103-0001  
tel 212-506-5000  
fax 212-506-5151  
WWW.ORRICK.COM

May 27, 2004

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

Re: Cornell University Revenue Bonds, Series 2004A and 2004B

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Dormitory Authority of the State of New York (the "Authority") of \$92,100,000 aggregate principal amount of the following bonds: (i) \$45,000,000 Cornell University Revenue Bonds, Series 2004A (the "Series 2004A Bonds") and (ii) \$47,100,000 Cornell University Revenue Bonds, Series 2004B (the "Series 2004B Bonds") and together with the Series 2004A Bonds, 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 by the Supplemental Resolution, adopted March 24, 2004 (as so supplemented, the "Resolution"), as amended and supplemented by the Series 2004A Resolution Authorizing Up To \$100,000,000 Cornell University Revenue Bonds, Series 2004A, adopted March 24, 2004 (the "Series 2004A Resolution") and the Series 2004B Resolution Authorizing Up To \$100,000,000 Cornell University Revenue Bonds, Series 2004B, adopted March 24, 2004 (the "Series 2004B Resolution"). The Resolution, together with the Series 2004A Resolution and the Series 2004B 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 as of March 24, 2004 (together, 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



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Dormitory Authority of the State of New York

May 27, 2004

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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 owners 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 \$25,000 and any integral multiple 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.

Certain agreements, requirements and procedures contained or referred to in the Resolutions, the Loan Agreement, the Tax Certificate and Agreement and other relevant documents may be changed and certain actions (including, without limitation, defeasance of Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion with respect to the exclusion of interest on the Bonds



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Dormitory Authority of the State of New York

May 27, 2004

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from gross income for federal income tax purposes is expressed herein as to any Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

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. 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



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Dormitory Authority of the State of New York

May 27, 2004

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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, although we observe that it is included in adjusted current earnings in 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



FORM OF OPINION OF BOND COUNSEL

January \_\_, 2016

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

Cornell University  
35 Thornwood Drive, Suite 200  
Ithaca, New York 14850

Merrill Lynch, Pierce, Fenner & Smith, Incorporated  
One Bryant Park  
New York, New York 10036

The Bank of New York Mellon  
101 Barclay Street, Floor 7W  
New York, New York 10286

Re: Dormitory Authority of the State of New York  
Cornell University Revenue Bonds, Series 2004A and Series 2004B

Ladies and Gentlemen:

We served as bond counsel to the Dormitory Authority of the State of New York (the "Authority") in connection with the issuance by the Authority of \$92,100,000 aggregate original principal amount of the following bonds: (i) \$45,000,000 Cornell University Revenue Bonds, Series 2004A (the "Series 2004A Bonds") and (ii) \$47,100,000 Cornell University Revenue Bonds, Series 2004B (the "Series 2004B Bonds" and, together with the Series 2004A Bonds, 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 by the Supplemental Resolution, adopted March 24, 2004, and the Supplemental Resolution, adopted February 27, 2008 (as so supplemented, the "Resolution"), as amended and supplemented by the Series 2004A Resolution Authorizing Cornell University Revenue Bonds, Series 2004A In An Amount Not Exceeding \$100,000,000, adopted March 24, 2004 (the "Series 2004A Resolution") and the Series 2004B Resolution Authorizing Cornell University Revenue Bonds, Series 2004B In An Amount Not Exceeding \$100,000,000, adopted March 24, 2004 (the "Series 2004B Resolution" and collectively with the Series 2004A Resolution and the Resolution, the "Resolutions") and the Bond Series Certificate relating to the Series 2004A Bonds, dated as of May 26, 2004, as amended on January 25, 2006 (as so amended, the Series 2004A Bond Series Certificate"), and the Bond Series Certificate relating to the Series 2004B Bonds, dated as of May 26, 2004, as amended on January 25, 2006 (as so amended, the "Series 2004B Bond Series Certificate" and together with the Series 2004A Bond Series Certificate, the "Bond Series Certificates"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolutions and the Bond Series Certificates.

On January \_\_, 2016, each of the Series 2004A Bonds the Series 2004B Bonds are subject to mandatory tender and reoffer, as Variable Interest Rate Bonds bearing interest at Weekly Rates, upon the delivery of a

respective substitute Liquidity Facility in the form of a standby bond purchase agreement, dated January \_\_, 2016, among Cornell University (the “Institution”), The Bank of New York Mellon, as trustee and tender agent, and The Bank of New York Mellon, as Facility Provider (each, a “Substitution”). While in the Weekly Rate Mode, the Series 2004A Bonds and the Series 2004B Bonds each shall be subject to optional and mandatory tender for purchase. Series 2004A Bonds and Series 2004B Bonds not remarketed each shall be subject to purchase by the respective Liquidity Facility.

For purposes of this opinion, we have examined copies of the Resolutions, the Bonds Series Certificates, each Liquidity Facility, the Remarketing Agreement, dated as of April 23, 2012, among the Institution, the Authority and the Remarketing Agent, and the Reoffering Circular, dated January 7, 2016, with respect to the Bonds (the “Reoffering Circular”), and have examined, and assumed the accuracy of the factual matters represented, warranted or certified in, originals (or copies certified or otherwise identified to our satisfaction) of such other instruments, certificates, documents and opinions to the extent we deemed necessary to render the opinion set forth herein.

The opinion expressed herein is based on an analysis of existing laws, regulations, rulings and court decisions and covers certain matters not directly addressed by such authorities. Such opinion 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. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. We disclaim any obligation to update this letter. 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 party 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 and the Tax Certificate and Agreement delivered in connection with the issuance of the Bonds, including (without limitation) covenants and agreements compliance with which is necessary to assure that actions, omissions or events on and after the date of issuance of the Bonds have not caused and will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We have not undertaken to determine compliance with any of such covenants and agreements or any other requirements of law, and, except as expressly set forth below, we have not otherwise reviewed any actions, omissions or events occurring after the date of issuance of the Bonds or the exclusion of interest on the Bonds from gross income for federal income tax purposes. Accordingly, no opinion is expressed herein as to whether interest on the Bonds is excludable from gross income for federal income tax purposes or as to any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. Nothing in this letter should imply that we have considered or in any manner reaffirm any of the matters covered in any opinion we rendered on the date of or in connection with issuance of the Bonds. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Reoffering Circular 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 opinion that each Substitution will not, in and of itself, cause interest on the Bonds to be includable in the gross income of the owners of such Bonds for purposes of federal income taxation and that it is authorized or permitted by the Resolutions and the Bond Series Certificates.

This opinion is furnished by us as bond counsel to the Authority solely for purposes of Section 3.03(b)(ii)(3) of each Bond Series Certificate and not in our capacity as counsel to the Institution. No attorney-client relationship has existed or exists between our firm and the Trustee or our firm and the Remarketing Agent in connection with the Bonds or by virtue of this opinion, and we disclaim any obligation to update this opinion. This opinion is not to be used, circulated, quoted or otherwise referred to or relied upon for any other purpose or by any person. This opinion is not intended to, and may not, be relied upon by owners of the Bonds or any other party to whom it is not specifically addressed.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

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**THE BANK**

The Bank of New York Mellon, a New York state chartered bank (the “Bank”), is one of the two principal banking subsidiaries of The Bank of New York Mellon Corporation (NYSE: BK), a bank holding company and a financial holding company (“BNY Mellon”). BNY Mellon is a global investments company dedicated to helping its clients manage and service their financial assets throughout the investment lifecycle. Whether providing financial services for institutions, corporations or individual investors, BNY Mellon delivers informed investment management and investment services in 35 countries and more than 100 markets. As of September 30, 2015, BNY Mellon had \$28.5 trillion in assets under custody and/or administration, and \$1.6 trillion in assets under management. BNY Mellon can act as a single point of contact for clients looking to create, trade, hold, manage, service, distribute or restructure investments. Additional information is available at [www.bnymellon.com](http://www.bnymellon.com). Follow us on Twitter @BNYMellon or visit our newsroom at [www.bnymellon.com/newsroom](http://www.bnymellon.com/newsroom) for the latest company news.

BNY Mellon’s and the Bank’s ratings information is available at <http://www.bnymellon.com/investorrelations/creditratings.html>. A rating is not a recommendation to buy, sell or hold securities, and may be subject to revision or withdrawal at any time by the assigning rating organization. Each rating should be evaluated independently of any other rating.

BNY Mellon’s principal office is located at 225 Liberty Street, New York, New York 10286. A copy of the most recent Annual Report on Form 10-K of BNY Mellon may be obtained from BNY Mellon’s Public Relations Department 225 Liberty Street, (212) 635-1569. For additional information about BNY Mellon, please refer to the reports filed with the Securities Exchange Commission, including BNY Mellon’s Annual Report on Form 10-K, proxy statement, quarterly reports on Form 10-Q and current reports on Form 8-K, available at [www.sec.gov](http://www.sec.gov).

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**FORM OF CONTINUING DISCLOSURE AGREEMENT****AMENDED AND RESTATED  
AGREEMENT TO PROVIDE CONTINUING DISCLOSURE****DORMITORY AUTHORITY OF THE STATE OF NEW YORK  
CORNELL UNIVERSITY REVENUE BONDS, SERIES 2004A AND SERIES 2004B**

This **AMENDED AND RESTATED AGREEMENT TO PROVIDE CONTINUING DISCLOSURE** (this “Disclosure Agreement”), dated as of January \_\_, 2016, is executed and delivered by the Dormitory Authority of the State of New York (the “Issuer” or “DASNY”), Cornell University (the “Obligated Person”), The Bank of New York Mellon, as Trustee (the “Trustee”) and Digital Assurance Certification, L.L.C. (“DAC”), as exclusive Disclosure Dissemination Agent (the “Disclosure Dissemination Agent”) for the benefit of the Holders (hereinafter defined) of the Bonds (hereinafter defined) and in order to provide certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the “Rule”). This Disclosure Agreement amends and restates that certain Agreement to Provide Continuing Disclosure, dated May 27, 2004, by and among DASNY, the Obligated Person and the Trustee.

The services provided under this Disclosure Agreement solely relate to the execution of instructions received from the parties hereto through use of the DAC system and are not intended to constitute “advice” within the meaning of the United States Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Act”). DAC will not provide any advice or recommendation to the Issuer, the Obligated Person or anyone on the Issuer’s or the Obligated Person’s behalf regarding the “issuance of municipal securities” or any “municipal financial product” as defined in the Act and nothing in this Disclosure Agreement shall be interpreted to the contrary.

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Resolution (hereinafter defined). The capitalized terms shall have the following meanings:

“Annual Filing Date” means the date, set in Sections 2(a) and 2(f), by which the Annual Report is to be filed with the MSRB.

“Annual Financial Information” means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Disclosure Agreement.

“Annual Report” means an Annual Report described in and consistent with Section 3 of this Disclosure Agreement.

“Audited Financial Statements” means the financial statements (if any) of the Obligated Person for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(b) of this Disclosure Agreement.

“Bonds” means the bonds as listed on the attached Exhibit A, with the 9-digit CUSIP numbers relating thereto.

“Certification” means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Voluntary Financial Disclosure, Notice Event notice, Failure to File Event notice or Voluntary Event Disclosure delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Voluntary Financial Disclosure,

Notice Event notice, Failure to File Event notice or Voluntary Event Disclosure required to be or voluntarily submitted to the MSRB under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the Obligated Person and include the full name of the Bonds and the 9-digit CUSIP numbers for all Bonds to which the document applies.

“Disclosure Dissemination Agent” means Digital Assurance Certification, L.L.C., acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the Issuer pursuant to Section 9 hereof.

“Disclosure Dissemination Agreement” means that agreement, dated January 31, 2005, as amended to the date hereof, by and between the Disclosure Dissemination Agent and the Issuer pursuant to which disclosure dissemination services are to be provided by the Disclosure Dissemination Agent.

“Disclosure Representative” means the chief financial officer or treasurer of the Obligated Person or his or her designee, or such other person as the Obligated Person shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

“Failure to File Event” means the Obligated Person’s failure to file an Annual Report on or before the Annual Filing Date.

“Force Majeure Event” means: (i) acts of God, war or terrorist action; (ii) failure or shut-down of the Electronic Municipal Market Access System maintained by the MSRB; or (iii) to the extent beyond the Disclosure Dissemination Agent’s reasonable control, interruptions in telecommunications or utilities services, failure, malfunction or error of any telecommunications, computer or other electrical, mechanical or technological application, service or system, computer virus, interruptions in Internet service or telephone service (including due to a virus, electrical delivery problem or similar occurrence) that affect Internet users generally, or in the local area in which the Disclosure Dissemination Agent or the MSRB is located, or acts of any government, regulatory or any other competent authority the effect of which is to prohibit the Disclosure Dissemination Agent from performance of its obligations under this Disclosure Agreement.

“Holder” means any person (a) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) treated as the owner of any Bonds for federal income tax purposes.

“Information” means collectively, the Annual Reports, the Audited Financial Statements (if any), the Notice Event notices, the Failure to File Event notices, the Voluntary Event Disclosures and the Voluntary Financial Disclosures.

“Issuer” means the Dormitory Authority of the State of New York, as conduit issuer of the Bonds.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the United States Securities Exchange Act of 1934, as amended.

“Notice Event” means any of the events enumerated in paragraph (b)(5)(i)(C) of the Rule and listed in Section 4(a) of this Disclosure Agreement.

“Obligated Person” means any person who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities), as shown on Exhibit A.

“Official Statement” means that Reoffering Circular prepared by the Issuer and the Obligated Person in connection with the Bonds, as listed on Exhibit A.

“Resolution” means DASNY’s bond resolution(s) pursuant to which the Bonds were issued.

“Trustee” means The Bank of New York Mellon and its successors and assigns.

“Voluntary Event Disclosure” means information of the category specified in any of subsections (e)(vi)(1) through (e)(vi)(11) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(a) of this Disclosure Agreement.

“Voluntary Financial Disclosure” means information of the category specified in any of subsections (e)(vii)(1) through (e)(vii)(9) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(b) of this Disclosure Agreement.

## SECTION 2. Provision of Annual Reports.

(a) The Obligated Person shall provide, annually, an electronic copy of the Annual Report and Certification to the Disclosure Dissemination Agent, together with a copy each for the Issuer and the Trustee, not later than 150 days after the end of each fiscal year of the Obligated Person (or any time thereafter following a Failure to File Event as described in this Section), commencing with the fiscal year ending June 30, 2016, such date and each anniversary thereof, the “Annual Filing Date.” Promptly upon receipt of an electronic copy of the Annual Report and the Certification, the Disclosure Dissemination Agent shall provide the Annual Report to the MSRB through its Electronic Municipal Market Access (“EMMA”) System for municipal securities disclosures. The Annual Financial Information and Audited Financial Statements may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3 of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail), with a copy to the Issuer, to remind the Obligated Person of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Disclosure Representative shall, not later than two (2) business days prior to the Annual Filing Date, either: (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Financial Information, Audited Financial Statements, if available, and unaudited financial statements, if audited financial statements are not available in accordance with subsection (d) below and the Certification, or (ii) instruct the Disclosure Dissemination Agent in writing, with a copy to the Issuer and the Trustee, that a Failure to File Event may occur, state the date by which the Annual Financial Information and Audited Financial Statements for such year are expected to be provided, and, at the election of the Obligated Person, instruct the Disclosure Dissemination Agent to send a notice to the MSRB in substantially the form attached as Exhibit B on the Annual Filing Date, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(c) If the Disclosure Dissemination Agent has not received an Annual Report and Certification by 6:00 p.m. Eastern time on the Annual Filing Date (or, if such Annual Filing Date falls on a Saturday, Sunday or holiday, then the first business day thereafter) for the Annual Report, a Failure to File Event shall have occurred and the Obligated Person hereby irrevocably directs the Disclosure Dissemination Agent to immediately send a notice to the MSRB in substantially the form attached as Exhibit B without reference to the anticipated filing date for the Annual Report, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(d) If Audited Financial Statements of the Obligated Person are prepared but not available prior to the Annual Filing Date, the Obligated Person shall provide unaudited financial statements for filing prior to the Annual Filing Date in accordance with Section 3(b) hereof and, when the Audited Financial Statements are available, provide in a timely manner an electronic copy to the Disclosure Dissemination Agent, accompanied by a Certification, together with a copy each for the Issuer and the Trustee, for filing with the MSRB.

- (e) The Disclosure Dissemination Agent shall:
- (i) verify the filing specifications of the MSRB each year prior to the Annual Filing Date;
  - (ii) upon receipt, promptly file each Annual Report received under Section 2(a) and 2(b) with the MSRB;
  - (iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) with the MSRB;
  - (iv) upon receipt, promptly file the text of each Notice Event received under Sections 4(a) and 4(b)(ii) with the MSRB, identifying the Notice Event as instructed pursuant to Section 4(a) or 4(b)(ii) (being any of the categories set forth below) when filing pursuant to the Section 4(c) of this Disclosure Agreement:
    - 1. Principal and interest payment delinquencies;
    - 2. Non-Payment related defaults, if material;
    - 3. Unscheduled draws on debt service reserves reflecting financial difficulties;
    - 4. Unscheduled draws on credit enhancements reflecting financial difficulties;
    - 5. Substitution of credit or liquidity providers, or their failure to perform;
    - 6. Adverse tax opinions, IRS notices or events affecting the tax status of the securities;
    - 7. Modifications to rights of securities holders, if material;
    - 8. Bond calls, if material;
    - 9. Defeasances;
    - 10. Release, substitution, or sale of property securing repayment of the securities, if material;
    - 11. Ratings changes;
    - 12. Tender offers;
    - 13. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;
    - 14. Merger, consolidation, or acquisition of the Obligated Person, if material; and
    - 15. Appointment of a successor or additional trustee, or the change of name of a trustee, if material;
  - (v) upon receipt (or irrevocable direction pursuant to Section 2(c) of this Disclosure Agreement, as applicable), promptly file a completed copy of Exhibit B to this Disclosure Agreement with the MSRB, identifying the filing as "Failure to provide annual financial information as required" when filing pursuant to Section 2(b)(ii) or Section 2(c) of this Disclosure Agreement;



(vi) upon receipt, promptly file the text of each Voluntary Event Disclosure received under Section 7(a) with the MSRB, identifying the Voluntary Event Disclosure as instructed by the Issuer or the Obligated Person pursuant to Section 7(a) (being any of the categories set forth below) when filing pursuant to Section 7(a) of this Disclosure Agreement:

1. “amendment to continuing disclosure undertaking;”
2. “change in obligated person;”
3. “notice to investors pursuant to bond documents;”
4. “certain communications from the Internal Revenue Service;”
5. “secondary market purchases;”
6. “bid for auction rate or other securities;”
7. “capital or other financing plan;”
8. “litigation/enforcement action;”
9. “change of tender agent, remarketing agent, or other on-going party;”
10. “derivative or other similar transaction;” and
11. “other event-based disclosures;”

(vii) upon receipt, promptly file the text of each Voluntary Financial Disclosure received under Section 7(b) with the MSRB, identifying the Voluntary Financial Disclosure as instructed by the Issuer or the Obligated Person pursuant to Section 7(b) (being any of the categories set forth below) when filing pursuant to Section 7(b) of this Disclosure Agreement:

1. “quarterly/monthly financial information;”
2. “change in fiscal year/timing of annual disclosure;”
3. “change in accounting standard;”
4. “interim/additional financial information/operating data;”
5. “budget;”
6. “investment/debt/financial policy;”
7. “information provided to rating agency, credit/liquidity provider or other third party;”
8. “consultant reports;” and
9. “other financial/operating data;”

- (viii) provide the Obligated Person and the Issuer evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

(f) The Obligated Person may adjust the Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination Agent, the Issuer, the Trustee and the MSRB, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

(g) Any Information received by the Disclosure Dissemination Agent before 6:00 p.m. Eastern time on any business day that it is required to file with the MSRB pursuant to the terms of this Disclosure Agreement and that is accompanied by a Certification and all other information required by the terms of this Disclosure Agreement will be filed by the Disclosure Dissemination Agent with the MSRB no later than 11:59 p.m. Eastern time on the same business day; provided, however, the Disclosure Dissemination Agent shall have no liability for any delay in filing with the MSRB if such delay is caused by a Force Majeure Event provided that the Disclosure Dissemination Agent uses reasonable efforts to make any such filing as soon as possible.

### SECTION 3. Content of Annual Reports.

Each Annual Report shall contain:

(a) Annual Financial Information with respect to the Obligated Person which shall include operating data and financial information of the type included in the Official Statement for the Bonds as described in “PART 4-THE UNIVERSITY” 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 Rates;” (4) *financial aid*, similar to that set forth under the table heading, “Sources of Undergraduate Aid;” (5) *University finances*, unless such information is included in the Audited Financial Statements; (6) *gifts and investments*, unless such information is included in the Audited Financial Statements; (7) *government contracts and grants*, unless such information is included in the Audited Financial Statements; and (8) *outstanding indebtedness*, unless such information is included in the Audited Financial Statements, together with a narrative explanation as may be necessary to avoid misunderstanding regarding the presentation of such Annual Financial Information concerning the Obligated Person; and

(b) Audited Financial Statements prepared in accordance with generally accepted accounting principles (“GAAP”) or alternate accounting principles as described in the Official Statement will be included in the Annual Report. If Audited Financial Statements are not available, the Obligated Person shall be in compliance under this Disclosure Agreement if unaudited financial statements, prepared in accordance with GAAP or alternate accounting principles as described in the Official Statement, are included in the Annual Report. Audited Financial Statements (if any) will be provided pursuant to Section 2(d).

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which the Obligated Person is an “obligated person” (as defined by the Rule), which have been previously filed the Securities and Exchange Commission or available from the MSRB Internet Website. If the document incorporated by reference is a Final Official Statement, it must be available from the MSRB. The Obligated Person will clearly identify each such document so incorporated by reference.

Any Annual Financial Information containing modified operating data or financial information shall include an explanation, in narrative form, of such modifications.

SECTION 4. Reporting of Notice Events.

Event: (a) The occurrence of any of the following events with respect to the Bonds constitutes a Notice

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices and determinations with respect to the tax status of the securities or other material events affecting the tax status of the securities;
7. Modification to rights of the security holders, if material;
8. Bond calls, if material;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Bonds, if material;
11. Rating changes;
12. Tender Offers;
13. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;  
**Note to subsection (a)(13) of this Section 4:** For the purposes of the event described in subsection (a)(13) of this Section 4, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.
14. The consummation of a merger, consolidation or acquisition involving the Obligated Person, or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
15. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The Obligated Person shall, in a timely manner not in excess of ten business days after its occurrence, notify DASNY, the Trustee and the Disclosure Dissemination Agent in writing upon the occurrence of a Notice Event. Upon actual knowledge of the occurrence of a Notice Event, DASNY or the Trustee shall promptly notify the

Obligated Person and also may notify the Disclosure Dissemination Agent in writing of the occurrence of such Notice Event. Each such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c) and shall be accompanied by a Certification. Such notice or Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the desired text of the disclosure, the written authorization for the Disclosure Dissemination Agent to disseminate such information, and identify the desired date for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(b) The Disclosure Dissemination Agent is under no obligation to notify the Issuer, the Obligated Person or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Issuer, the Obligated Person or the Disclosure Representative, such notified party will within two business days of receipt of such notice (but in any event not later than the tenth business day after the occurrence of the Notice Event, if the Issuer or the Obligated Person determines that a Notice Event has occurred), instruct the Disclosure Dissemination Agent that (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c) of this Section 4, together with a Certification. Such Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Issuer or the Obligated Person desires to make, contain the written authorization of the Issuer or the Obligated Person for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer or the Obligated Person desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(c) If the Disclosure Dissemination Agent has been instructed as prescribed in subsection (a) or as prescribed in subsection (b) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with MSRB, in accordance with Section 2(e)(iv) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

#### SECTION 5. CUSIP Numbers.

Whenever providing information to the Disclosure Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference in the Annual Reports, Audited Financial Statements, Notice Event notices and Voluntary Event Disclosure, the Obligated Person shall indicate the full name of the Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

#### SECTION 6. Additional Disclosure Obligations.

The Obligated Person acknowledges and understands that other state and federal laws, including but not limited to the United States Securities Act of 1933, as amended, and Rule 10b-5 promulgated under the United States Securities Exchange Act of 1934, as amended, may apply to the Obligated Person, and that the duties and responsibilities of the Disclosure Dissemination Agent under this Disclosure Agreement do not extend to providing legal advice regarding such laws. The Obligated Person acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

#### SECTION 7. Voluntary Filing.

(a) The Issuer or the Obligated Person, with the prior approval of DASNY, may instruct the Disclosure Dissemination Agent to file Voluntary Event Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Event Disclosure (which shall be any of the categories set forth in Section 2(e)(vi) of this Disclosure Agreement), include the text of the disclosure that the Issuer or Obligated Person desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, if applicable, and identify the date the Issuer

or Obligated Person desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Issuer or Obligated Person as prescribed in this Section 7(a) to file a Voluntary Event Disclosure, the Disclosure Dissemination Agent may presume that the Obligated Person has obtained the prior approval of DASNY for such filing and shall promptly file such Voluntary Event Disclosure with the MSRB in accordance with Section 2(e)(vi) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-2.

(b) The Issuer or Obligated Person, with the prior approval of DASNY, may instruct the Disclosure Dissemination Agent to file Voluntary Financial Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Financial Disclosure (which shall be any of the categories set forth in Section 2(e)(vii) of this Disclosure Agreement), include the desired text of the disclosure, contain the written authorization for the Disclosure Dissemination Agent to disseminate such information, if applicable, and identify the desired date for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Issuer or Obligated Person as prescribed in this Section 7(b) to file a Voluntary Financial Disclosure, the Disclosure Dissemination Agent may presume that the Obligated Person has obtained the prior approval of DASNY for such filing and shall promptly file such Voluntary Financial Disclosure with the MSRB in accordance with Section 2(e)(vii) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-3.

(c) The parties hereto acknowledge that neither the Issuer nor the Obligated Person is obligated pursuant to the terms of this Disclosure Agreement to file any Voluntary Event Disclosure pursuant to Section 7(a) hereof or to file any Voluntary Financial Disclosure pursuant to Section 7(b) hereof.

(d) Nothing in this Disclosure Agreement shall be deemed to prevent the Obligated Person, with the approval of DASNY, from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Section 7, or including any other information in any Annual Report, Failure to File Event notice or Notice Event notice in addition to that which is specifically required by this Disclosure Agreement. If the Obligated Person chooses to include any information in any Annual Report, Failure to File Event notice or Notice Event notice in addition to that which is specifically required by this Disclosure Agreement or to file Voluntary Event Disclosure or Voluntary Financial Disclosure, the Obligated Person shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Voluntary Financial Disclosure, Voluntary Event Disclosure, Failure to File Event Notice or Notice Event notice.

#### SECTION 8. Termination of Reporting Obligation.

The obligations of the Obligated Person and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to the Bonds upon the legal defeasance, prior redemption or payment in full of all of the Bonds, when the Obligated Person is no longer an Obligated Person with respect to the Bonds, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required.

#### SECTION 9. Disclosure Dissemination Agent.

The Issuer has appointed DAC as exclusive Disclosure Dissemination Agent under this Disclosure Agreement pursuant to the Disclosure Dissemination Agreement. The Issuer may, upon thirty days written notice to the Disclosure Dissemination Agent and the Trustee, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC's services as Disclosure Dissemination Agent, whether by notice of the Issuer or DAC, the Issuer agrees to appoint a successor Disclosure Dissemination Agent or, alternatively, agrees to assume all responsibilities of the Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Bonds. Notwithstanding any replacement or appointment of a successor, the Issuer shall remain liable until payment in full for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days' prior written notice to the Issuer.

SECTION 10. Remedies in Event of Default.

In the event of a failure of the Obligated Person or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders' rights to enforce the provisions of this Disclosure Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Bonds or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 11. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Issuer or the Obligated Person has provided such information to the Disclosure Dissemination Agent as provided in this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any information, or any other information, disclosures or notices provided to it by the Issuer or the Obligated Person and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Obligated Person, the Holders of the Bonds or any other party. The Disclosure Dissemination Agent shall have no responsibility for the Obligated Person's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine or liability for failing to determine whether the Issuer or the Obligated Person has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon certifications of the Issuer or the Obligated Person at all times.

THE OBLIGATED PERSON AGREES TO INDEMNIFY AND SAVE THE DISCLOSURE DISSEMINATION AGENT, THE ISSUER AND THE TRUSTEE AND THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS, HARMLESS AGAINST ANY LOSS, EXPENSE AND LIABILITY WHICH THEY MAY INCUR ARISING OUT OF OR IN THE EXERCISE OR PERFORMANCE OF THEIR POWERS AND DUTIES HEREUNDER, INCLUDING THE COSTS AND EXPENSES (INCLUDING ATTORNEYS FEES) OF DEFENDING AGAINST ANY CLAIM OF LIABILITY, BUT EXCLUDING LOSSES, EXPENSES AND LIABILITIES DUE TO THE DISCLOSURE DISSEMINATION AGENT'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT AND THE TRUSTEE'S (AND ITS OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS') NEGLIGENCE OR WILLFUL MISCONDUCT.

The obligations of the Obligated Person under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Bonds.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and neither of them shall incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The fees and expenses of such counsel shall be payable by the Obligated Person.

(c) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Disclosure Agreement shall be provided in an electronic format through the EMMA System and accompanied by identifying information as prescribed by the MSRB.

SECTION 12. No Issuer or Trustee Responsibility.

The Obligated Person and the Disclosure Dissemination Agent acknowledge that neither the Issuer nor the Trustee have undertaken any responsibility, and shall not be required to undertake any responsibility, with respect to any reports, notices or disclosures required by or provided pursuant to this Disclosure Agreement other than those notices required under Section 4(b) hereof, and shall have no liability to any person, including any Holder of the Bonds, with respect to any such reports, notices or disclosures other than those notices required under said Section

4(b). DASNY (as conduit issuer) is not, for purposes of and within the meaning of the Rule, (i) committed by contract or other arrangement to support payment of all, or part of, the obligations on the Bonds, or (ii) a person for whom annual financial information and notices of material events will be provided. The Trustee shall be indemnified and held harmless in connection with this Disclosure Agreement to the same extent provided in the Resolution for matters arising thereunder.

SECTION 13. Amendment; Waiver.

Notwithstanding any other provision of this Disclosure Agreement, the Obligated Person, the Issuer, the Trustee and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to each of the Obligated Person, the Issuer, the Trustee and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided none of the Obligated Person, the Issuer, the Trustee or the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, DASNY, the Obligated Person, the Trustee and the Disclosure Dissemination Agent shall have the right to amend this Disclosure Agreement for any of the following purposes:

(i) to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time;

(ii) to add or change a dissemination agent for the information required to be provided hereby and to make any necessary or desirable provisions with respect thereto;

(iii) to evidence the succession of another person to the Obligated Person, the Trustee or the Issuer and the assumption by any such successor of the covenants of the Obligated Person, the Trustee or the Issuer hereunder;

(iv) to add to the covenants of the Obligated Person, the Issuer or the Disclosure Dissemination Agent for the benefit of the Holders, or to surrender any right or power herein conferred upon the Obligated Person, the Issuer or the Disclosure Dissemination Agent;

(v) for any purpose for which, and subject to the conditions pursuant to which, amendments may be made under the Rule, as amended or modified from time to time, or any formal authoritative interpretations thereof by the Securities and Exchange Commission.

SECTION 14. Beneficiaries.

This Disclosure Agreement shall inure solely to the benefit of the Obligated Person, the Issuer, the Trustee, the Disclosure Dissemination Agent, the underwriter, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 15. Governing Law.

This Disclosure Agreement shall be governed by the laws of the State of New York (without regard to its conflicts of laws provisions).

SECTION 16. Counterparts.

This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

The Disclosure Dissemination Agent, the Issuer, the Trustee and the Obligated Person have caused this Disclosure Agreement to be executed, on the date first written above, by their respective officers duly authorized.

**DIGITAL ASSURANCE CERTIFICATION, L.L.C.,**  
as Disclosure Dissemination Agent

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**CORNELL UNIVERSITY,**  
Obligated Person

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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

By: \_\_\_\_\_  
Authorized Officer

**THE BANK OF NEW YORK MELLON,**  
as Trustee

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_



**EXHIBIT A**

**NAME AND CUSIP NUMBERS OF BONDS**

Name of Issuer: Dormitory Authority of the State of New York  
Obligated Person(s): Cornell University  
Name of Bond Issue: Cornell University Revenue Bonds, Series 2004A and Series 2004B  
Date of Issuance: Initially issued May 27, 2004; reoffered January \_\_, 2016  
Official Statement: Reoffering Circular dated January \_\_, 2016

<u>Series</u>	<u>Maturity</u>	<u>CUSIP No.</u>
2004A	July 1, 2033	64983MF37
2004B	July 1, 2033	64983MF45

**EXHIBIT B**

**NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Dormitory Authority of the State of New York  
Obligated Person(s): Cornell University  
Name of Bond Issue: Cornell University Revenue Bonds, Series 2004A and Series 2004B  
Date of Issuance: Initially issued May 27, 2004; reoffered January \_\_, 2016

CUSIP Numbers:

NOTICE IS HEREBY GIVEN that the Obligated Person has not provided an Annual Report with respect to the above-named Bonds as required by the Amended and Restated Agreement to Provide Continuing Disclosure, dated as of January \_\_, 2016, by and among the Obligated Person, the Dormitory Authority of the State of New York, as Issuer, The Bank of New York Mellon, as Trustee and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent. The Obligated Person has notified the Disclosure Dissemination Agent that it anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

Digital Assurance Certification, L.L.C., as Disclosure  
Dissemination Agent, on behalf of the Obligated Person

\_\_\_\_\_

cc: Issuer  
Obligated Person

**EXHIBIT C-1**

**EVENT NOTICE COVER SHEET**

This cover sheet and accompanying "event notice" will be sent to the MSRB, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and Obligated Person's Names:

\_\_\_\_\_

Issuer's Six-Digit CUSIP Number:

\_\_\_\_\_

\_\_\_\_\_

or Nine-Digit CUSIP Number(s) of the bonds to which this event notice relates:

\_\_\_\_\_

Number of pages attached: \_\_\_\_\_

Description of Notice Events (Check One):

1. \_\_\_\_\_ "Principal and interest payment delinquencies;"
2. \_\_\_\_\_ "Non-Payment related defaults, if material;"
3. \_\_\_\_\_ "Unscheduled draws on debt service reserves reflecting financial difficulties;"
4. \_\_\_\_\_ "Unscheduled draws on credit enhancements reflecting financial difficulties;"
5. \_\_\_\_\_ "Substitution of credit or liquidity providers, or their failure to perform;"
6. \_\_\_\_\_ "Adverse tax opinions, IRS notices or events affecting the tax status of the security;"
7. \_\_\_\_\_ "Modifications to rights of securities holders, if material;"
8. \_\_\_\_\_ "Bond calls, if material;"
9. \_\_\_\_\_ "Defeasances;"
10. \_\_\_\_\_ "Release, substitution, or sale of property securing repayment of the securities, if material;"
11. \_\_\_\_\_ "Rating changes;"
12. \_\_\_\_\_ "Tender offers;"
13. \_\_\_\_\_ "Bankruptcy, insolvency, receivership or similar event of the obligated person;"
14. \_\_\_\_\_ "Merger, consolidation, or acquisition of the obligated person, if material;" and
15. \_\_\_\_\_ "Appointment of a successor or additional trustee, or the change of name of a trustee, if material."

\_\_\_\_\_ Failure to provide annual financial information as required.

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

\_\_\_\_\_

Name: \_\_\_\_\_ Title: \_\_\_\_\_

Digital Assurance Certification, L.L.C.  
390 N. Orange Avenue  
Suite 1750  
Orlando, FL 32801  
407-515-1100

Date:

**EXHIBIT C-2**

**VOLUNTARY EVENT DISCLOSURE COVER SHEET**

This cover sheet and accompanying "voluntary event disclosure" will be sent to the MSRB, pursuant to the Continuing Disclosure Agreement dated as of \_\_\_\_\_ by and among the Issuer, the Obligated Person, the Trustee and DAC.

Issuer's and Obligated Person's Names:

\_\_\_\_\_

Issuer's Six-Digit CUSIP Number:

\_\_\_\_\_

or Nine-Digit CUSIP Number(s) of the bonds to which this notice relates:

\_\_\_\_\_

Number of pages attached: \_\_\_\_\_

Description of Voluntary Event Disclosure (Check One):

- 1. \_\_\_\_\_ "amendment to continuing disclosure undertaking;"
- 2. \_\_\_\_\_ "change in obligated person;"
- 3. \_\_\_\_\_ "notice to investors pursuant to bond documents;"
- 4. \_\_\_\_\_ "certain communications from the Internal Revenue Service;"
- 5. \_\_\_\_\_ "secondary market purchases;"
- 6. \_\_\_\_\_ "bid for auction rate or other securities;"
- 7. \_\_\_\_\_ "capital or other financing plan;"
- 8. \_\_\_\_\_ "litigation/enforcement action;"
- 9. \_\_\_\_\_ "change of tender agent, remarketing agent, or other on-going party;"
- 10. \_\_\_\_\_ "derivative or other similar transaction;" and
- 11. \_\_\_\_\_ "other event-based disclosures."

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

\_\_\_\_\_

Name: \_\_\_\_\_ Title: \_\_\_\_\_

Digital Assurance Certification, L.L.C.  
390 N. Orange Avenue  
Suite 1750  
Orlando, FL 32801  
407-515-1100

Date:

**EXHIBIT C-3**

**VOLUNTARY FINANCIAL DISCLOSURE COVER SHEET**

This cover sheet and accompanying "voluntary financial disclosure" will be sent to the MSRB, pursuant to the Continuing Disclosure Agreement dated as of \_\_\_\_\_ by and among the Issuer, the Obligated Person, the Trustee and DAC.

Issuer's and Obligated Person's Names:

\_\_\_\_\_

Issuer's Six-Digit CUSIP Number:

\_\_\_\_\_

\_\_\_\_\_

or Nine-Digit CUSIP Number(s) of the bonds to which this notice relates:

\_\_\_\_\_

Number of pages attached: \_\_\_\_\_

Description of Voluntary Financial Disclosure (Check One):

1. \_\_\_\_\_ "quarterly/monthly financial information;"
2. \_\_\_\_\_ "change in fiscal year/timing of annual disclosure;"
3. \_\_\_\_\_ "change in accounting standard;"
4. \_\_\_\_\_ "interim/additional financial information/operating data;"
5. \_\_\_\_\_ "budget;"
6. \_\_\_\_\_ "investment/debt/financial policy;"
7. \_\_\_\_\_ "information provided to rating agency, credit/liquidity provider or other third party;"
8. \_\_\_\_\_ "consultant reports;" and
9. \_\_\_\_\_ "other financial/operating data."

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

\_\_\_\_\_

Name: \_\_\_\_\_ Title: \_\_\_\_\_

Digital Assurance Certification, L.L.C.  
390 N. Orange Avenue  
Suite 1750  
Orlando, FL 32801  
407-515-1100

Date:

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