



DAC Bond

\$110,935,000

**DORMITORY AUTHORITY OF THE STATE OF NEW YORK
FIT STUDENT HOUSING CORPORATION
INSURED REVENUE BONDS, SERIES 2007**

Dated: Date of Delivery

Due: July 1, as shown on inside cover

Payment and Security: The FIT Student Housing Corporation Insured Revenue Bonds, Series 2007 (the “2007 Bonds”) will be special obligations of the Dormitory Authority of the State of New York (the “Authority”). Principal and redemption price of and interest on the 2007 Bonds are payable solely from and secured by a pledge of certain payments to be made under the Amended and Restated Lease and Agreement (the “Lease Agreement”), dated as of April 25, 2007, executed by and between FIT Student Housing Corporation (the “Institution”) and the Authority and all funds and accounts (except the Arbitrage Rebate Fund) authorized under the Authority’s FIT Student Housing Corporation Revenue Bond Resolution, adopted April 28, 2004 (the “Bond Resolution”) and established under the Authority’s Series Resolution authorizing up to \$130,000,000 FIT Student Housing Corporation Insured Revenue Bonds, Series 2007, adopted March 28, 2007 as amended and restated April 25, 2007 (the “Series 2007 Resolution” and, together with the Bond Resolution, the “Resolution”).

Payment of the principal and Sinking Fund Installments of and interest on the 2007 Bonds when due will be guaranteed by a municipal bond new issue insurance policy (the “Policy”) and a municipal debt service reserve fund policy (the “Reserve Policy”) to be issued simultaneously with the delivery of the 2007 Bonds by Financial Guaranty Insurance Company (the “Insurer” or “FGIC”).



The Lease Agreement is a general obligation of the Institution and requires the Institution to pay, in addition to the fees and expenses of the Authority and the Trustee, amounts sufficient to pay the principal of and interest on the 2007 Bonds, as such payments fall due. The obligations of the Institution under the Lease Agreement will be secured by a Mortgage on the Mortgaged Property and by a pledge of certain revenues.

In order to insure that the Institution will be able to meet its obligations under the Lease Agreement, the Institution has entered into an Amended and Restated Operating Agreement (the “Operating Agreement”) with Fashion Institute of Technology (“FIT”). As more fully described herein, the Operating Agreement is a general obligation of FIT which requires FIT to pay to the Institution an aggregate amount equal to the payments the Institution is required to make under the Lease Agreement, including, without limitation, amounts sufficient to pay the principal of and interest on the 2007 Bonds, to the extent the Institution fails to make the payments due pursuant to the Lease Agreement.

At the time of delivery of the 2007 Bonds, the Debt Service Reserve Fund will be funded by the Reserve Policy and two other debt service reserve fund policies previously issued by the Insurer that in the aggregate are equal to the Debt Service Reserve Fund Requirement.

The 2007 Bonds will not be a debt of the State of New York (the “State”) nor will the State be liable thereon. The Authority has no taxing power.

Description: The 2007 Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. The 2007 Bonds will be issued initially under a Book-Entry Only System, registered in the name of Cede & Co., as nominee for The Depository Trust Company (“DTC”). Individual purchases of beneficial interests in the 2007 Bonds will be made in Book-Entry form (without certificates). So long as DTC or its nominee is the registered owner of the 2007 Bonds, payments of the principal and Redemption Price of and interest on such 2007 Bonds will be made directly to DTC or its nominee. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of DTC participants. See “PART 3 - THE SERIES 2007 BONDS - Book-Entry Only System” herein. Interest on the 2007 Bonds will be payable on each January 1 and July 1 beginning on July 1, 2007. The trustee and paying agent for the 2007 Bonds will be The Bank of New York, New York, New York (the “Trustee”).

Redemption: *The 2007 Bonds are subject to redemption prior to maturity as more fully described herein.*

Tax Exemption: In the opinion of Bond Counsel to the Authority, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the 2007 Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the 2007 Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In addition, in the opinion of Bond Counsel to the Authority, under existing statutes, interest on the 2007 Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). See “PART 11 - TAX MATTERS” herein.

The 2007 Bonds are offered when, as and if issued. The offer of the 2007 Bonds may be subject to prior sale or withdrawn or modified at any time without notice. The offer is subject to the approval of legality by Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Authority, and to certain other conditions. Certain legal matters will be passed upon for the Underwriters by their Counsel, Clifford Chance US LLP, New York, New York. The Authority expects to deliver the 2007 Bonds in definitive form in New York, New York, on or about May 31, 2007.

Lehman Brothers

Loop Capital Markets, LLC.

Sterne, Agee & Leach, Inc.

Merrill Lynch & Co.

RBC Capital Markets

Southwest Securities, Inc.

\$110,935,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
FIT STUDENT HOUSING CORPORATION
INSURED REVENUE BONDS, SERIES 2007

Serial Bonds

Due July 1	Principal Amount	Interest Rate	Yield	Cusip Numbers⁽¹⁾	Due July 1	Principal Amount	Interest Rate	Yield	Cusip Numbers⁽¹⁾
2017	\$3,860,000	5.00%	3.91%	649903LF6	2024	\$5,515,000	5.25%	4.21%	649903LN9
2018	4,055,000	5.25	3.98	649903LG4	2025	5,800,000	5.25	4.24	649903LP4
2019	4,265,000	5.25	4.03	649903LH2	2026	6,105,000	5.25	4.25	649903LQ2
2020	4,490,000	5.25	4.08	649903LJ8	2027	6,425,000	5.25	4.26	649903LR0
2021	4,730,000	5.25	4.12	649903LK5	2028	6,765,000	5.25	4.27	649903LS8
2022	4,975,000	5.25	4.15	649903LL3	2029	7,120,000	5.25	4.28	649903LT6
2023	5,235,000	5.25	4.18	649903LM1					

\$15,375,000 5.25% Term Bonds due July 1, 2031, Yield 4.29%

(Cusip Number⁽¹⁾: 649903LU3)

\$26,220,000 5.25% Term Bonds due July 1, 2034, Yield 4.31%

(Cusip Number⁽¹⁾: 649903LV1)

¹ CUSIP numbers have been assigned by an organization not affiliated with the Authority or the Institution and are included solely for the convenience of the Holders of the 2007 Bonds. Neither the Authority nor the Institution is responsible for the selection or uses of these CUSIP numbers, nor is any representation made as to their correctness on the 2007 Bonds or as indicated above.

No dealer, broker, salesperson or other person has been authorized by the Authority, the Institution, FIT or the Underwriters to give any information or to make any representations with respect to the 2007 Bonds, other than the information and representations contained in this Official Statement. If given or made, any such information or representations must not be relied upon as having been authorized by the Authority, the Institution, FIT or the Underwriters.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be a sale of the 2007 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

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

The Institution and FIT reviewed the parts of this Official Statement describing the Institution and FIT, respectively, and the portions of Appendix B containing the financial statements of the Institution and FIT, respectively. The Institution also reviewed the parts of this Official Statement describing the Source of Payment and Security for the 2007 Bonds, the 2007 Bonds and the Estimated Sources and Uses of Funds. It is a condition to the sale and the delivery of the 2007 Bonds that each of the Institution and FIT, respectively, certify that, as of each such date, the parts of this Official Statement reviewed by the Institution and FIT, respectively, 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. Neither the Institution nor FIT make any representation as to the accuracy or completeness of any other information included in this Official Statement.

Other than with respect to information concerning the Insurer contained under "Part 2 – Source of Payment and Security for the 2007 Bonds – The Bond Insurance Policy and the Reserve Policy" herein and the specimen municipal bond new issue insurance policy set forth in Appendix G, none of the information in this Official Statement has been supplied or verified by the Insurer, and the Insurer makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the 2007 Bonds; or (iii) the tax status of the interest on the 2007 Bonds.

References in this Official Statement to the Act, the Resolution, the Lease Agreement, the Agreement of Lease, the Operating Agreement and the Bond Insurance Policy do not purport to be complete. Refer to the Act, the Resolution, the Lease Agreement, the Agreement of Lease, the Operating Agreement and the Bond Insurance Policy for full and complete details of their provisions. Copies of the Resolution, the Lease Agreement, the Agreement of Lease, the Operating Agreement and the Bond Insurance Policy are on file with the Authority and the Trustee.

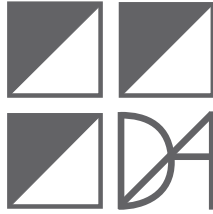
The order and placement of material in this Official Statement, including its appendices, are not to be deemed a determination of relevance, materiality or importance, and all material in this Official Statement, including its appendices, must be considered in its entirety.

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

IN CONNECTION WITH THE OFFERING OF THE 2007 BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2007 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 – 515 BROADWAY, ALBANY, N.Y. 12207
DAVID D. BROWN IV - EXECUTIVE DIRECTOR **GAIL H. GORDON, ESQ. - CHAIR**

OFFICIAL STATEMENT RELATING TO
\$110,935,000
DORMITORY AUTHORITY
OF THE STATE OF NEW YORK
FIT STUDENT HOUSING CORPORATION
INSURED REVENUE BONDS, SERIES 2007

PART 1 - INTRODUCTION

Purpose of the Official Statement

The purpose of this Official Statement, including the cover page, inside cover page and appendices, is to provide information about the Authority, the Insurer, the Institution and FIT in connection with the offering by the Authority of \$110,935,000 principal amount of its FIT Student Housing Corporation Insured Revenue Bonds, Series 2007 (the "2007 Bonds").

The following is a brief description of certain information concerning the 2007 Bonds, the Authority, the Insurer, the Institution and FIT. A more complete description of such information and additional information that may affect decisions to invest in the 2007 Bonds is contained throughout this Official Statement, which should be read in its entirety. Certain terms used in this Official Statement are defined in Appendix A hereto.

Purpose of the Issue

The 2007 Bonds are being issued (i) to provide funds to refund certain bonds issued in 2004 by the Authority on behalf of the Institution and FIT, (ii) to pay the premium on the Reserve Policy to be placed in the Debt Service Reserve Fund in order to meet the Debt Service Reserve Fund Requirement, and (iii) to pay the Costs of Issuance of the 2007 Bonds. See "PART 6 - PLAN OF REFUNDING" and "PART 7 - ESTIMATED SOURCES AND USES OF FUNDS."

Authorization of Issuance

The 2007 Bonds will be issued pursuant to the Resolution and the Act. The Resolution authorizes the issuance of the 2007 Bonds in an amount not to exceed \$130,000,000. In addition to the 2007 Bonds, the Resolution authorizes the issuance of additional Series of Bonds. The 2007 Bonds are the second series of bonds, notes or other obligations authorized to be issued under the Resolution. In addition to the 2007 Bonds, there is currently \$144,545,000 aggregate principal amount of Bonds outstanding under the Bond Resolution of which \$114,935,000 are expected to be refunded with proceeds of the 2007 Bonds.

The 2007 Bonds will be insured by a municipal bond insurance policy. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE 2007 BONDS" and "PART 3 - THE 2007 BONDS."

The Authority

The Authority is a public benefit corporation of the State, created for the purpose of financing and constructing a variety of public-purpose facilities for certain educational, governmental and not-for-profit institutions and to purchase and make certain loans in connection with its student loan program. See "PART 8 - THE AUTHORITY."

The Institution and FIT

FIT Student Housing Corporation (the "Institution") is a not-for-profit corporation formed by Fashion Institute of Technology ("FIT") to own and operate certain dormitories for FIT, which is a specialized college of art and design, business and technology, and a community college of the State University of New York. See "PART 4 - FIT STUDENT HOUSING CORPORATION," "PART 5 - FASHION INSTITUTE OF TECHNOLOGY" and "Appendix B - FIT Student Housing Corporation Financial Statements for the Year Ended June 30, 2006 and Fashion Institute of Technology Financial Statements for the Year Ended June 30, 2006."

The 2007 Bonds

The 2007 Bonds will be dated the date of delivery, and will bear interest from such date (payable July 1, 2007 and on each January 1 and July 1 thereafter) at the rates set forth on the inside cover page of this Official Statement. See "PART 3 - THE 2007 BONDS - Description of the 2007 Bonds."

Payment of the 2007 Bonds

The 2007 Bonds will be special obligations of the Authority payable solely from the Revenues, which consist of certain payments to be made by the Institution under the Lease Agreement. The Lease Agreement is a general obligation of the Institution. Pursuant to the Operating Agreement, which is a general obligation of FIT, FIT is required to pay to the Institution an aggregate amount equal to the payments the Institution is required to make under the Lease Agreement to the extent the Institution fails to make such payments. Pursuant to the Resolution, the Revenues and the Authority's right to receive the Revenues have been pledged to the Trustee. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE 2007 BONDS."

Security for the 2007 Bonds

The 2007 Bonds will be secured by the pledge and assignment to the Trustee of the Revenues and the security interest in the Pledged Revenues granted by the Institution to the Authority under the Lease Agreement. The 2007 Bonds will also be secured by all funds and accounts authorized by the Resolution (with the exception of the Arbitrage Rebate Fund), which include a Debt Service Reserve Fund. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE 2007 BONDS - Security for the 2007 Bonds."

The 2007 Bonds will not be a debt of the State of New York (the "State") nor will the State be liable thereon. The Authority has no taxing power.

Bond Insurance

Financial Guaranty Insurance Company ("FGIC" or the "Insurer") has committed to issue a municipal bond insurance policy (the "Bond Insurance Policy") guaranteeing the payment of the principal and interest on the 2007 Bonds when due. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE 2007 BONDS - The Bond Insurance Policy," and "Appendix G - Specimen Municipal Bond New Issue Insurance Policy."

So long as the Insurer is not in default of its obligations to make payments under the Bond Insurance Policy and is not insolvent, the Insurer shall be treated as the holder of the 2007 Bonds under the Resolution including with respect to the giving of consent and the exercising of remedies.

The Mortgage

The Institution's obligations to the Authority under the Lease Agreement will be additionally secured by a mortgage on the Institution's fee interest in certain property located at 406 West 31st Street in the Borough of Manhattan in the City and State of New York and security interests in certain fixtures, furnishings and equipment now or hereafter located therein or used in connection therewith and on the Institution's leasehold interest in the Lease Agreement (the "Mortgage"). The Authority may, but has no present intention to, assign the Mortgage and such security interests to the Trustee. Unless the Mortgage and such security interests are assigned to the Trustee, neither the Mortgage, the security interests in such fixtures, furnishings and equipment nor any proceeds therefrom will be pledged to the Holders of the 2007 Bonds. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE 2007 BONDS - The Mortgage."

PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE 2007 BONDS

Set forth below is a narrative description of certain contractual provisions relating to the source of payment of and security for the 2007 Bonds and certain related covenants. These provisions have been summarized and this description does not purport to be complete. Reference should be made to the Act, the Resolution, the Lease Agreement, the Agreement of Lease, the Operating Agreement, the Bond Insurance Policy and the Reserve Policy. Copies of the Resolution, the Lease Agreement, the Agreement of Lease, the Operating Agreement, the Bond Insurance Policy and the Reserve Policy are on file with the Authority and the Trustee. See also "Appendix C - Summary of Certain Provisions of the Lease Agreement," "Appendix D - Summary of Certain Provisions of the Operating Agreement," "Appendix E - Summary of Certain Provisions of the Resolution" and "Appendix G - Specimen Municipal Bond New Issue Insurance Policy" for a more complete statement of the rights, duties and obligations of the parties thereto.

Payment of the 2007 Bonds

The 2007 Bonds will be special obligations of the Authority and are the second series of bonds, notes or other obligations authorized to be issued under the Resolution. The principal and interest on the 2007 Bonds are payable solely from the Revenues. The Revenues consist of the payments required to be made by the Institution under the Lease Agreement to satisfy the principal and interest on the 2007 Bonds and to maintain the Debt Service Reserve Fund at its requirement. The Revenues and the right to receive them have been pledged to the Trustee for the benefit of the holders of Outstanding Bonds under the Resolution including the 2007 Bonds.

The Lease Agreement is a general obligation of the Institution and obligates the Institution to make payments to satisfy the principal and interest on Outstanding Bonds issued under the Resolution including the 2007 Bonds. Such payments are to be made semi-annually on each June 10 and December 10. Each payment is to be equal to all of the interest coming due on the next succeeding interest payment date and one-half (1/2) of the principal coming due on the next succeeding July 1.

In order to insure that the Institution will be able to meet its obligations under the Lease Agreement, the Institution has entered into the Operating Agreement with FIT. The Operating Agreement is a general obligation of FIT. FIT is obligated under the Operating Agreement to pay or provide for the payment to the Institution, from any moneys legally available to FIT, an aggregate amount equal to the payments the Institution is required to make to the Authority or the Trustee pursuant to the Lease Agreement, including, without limitation, the payments described above to the extent that such payments are not made by the Institution.

The Authority has directed, and the Institution has agreed, to make such payments directly to the Trustee. Such payments are to be applied by the Trustee to the payment of the principal and interest on the Outstanding Bonds under the Resolution including 2007 Bonds before being applied for any other purpose.

Security for the 2007 Bonds

The 2007 Bonds will be secured by the pledge and assignment of the Revenues, the proceeds from the sale of the 2007 Bonds (until disbursed as provided in the Resolution), all funds and accounts authorized under the Resolution (with the exception of the Arbitrage Rebate Fund) and the Authority's security interest in the Pledged Revenues.

Pledged Revenues

The 2007 Bonds will be secured by a pledge of the Pledged Revenues and the right to receive such Pledged Revenues. However, the maximum amount of such revenues subject to the pledge is limited in each year to the greatest amount payable by the Authority in any Bond Year for the principal and interest on Outstanding Bonds under the Resolution including the 2007 Bonds. The Pledged Revenues include the revenues derived by the Institution from the Project, including amounts paid by FIT under the Operating Agreement. See "Appendix B - FIT Student Housing Corporation Financial Statements for the Year Ended June 30, 2006 and Fashion Institute of Technology Financial Statements for the Year Ended June 30, 2006."

Debt Service Reserve Fund

The Resolution establishes the Debt Service Reserve Fund. The Debt Service Reserve Fund is to be held by the Trustee, is to be applied solely for the purposes specified in the Resolution and is pledged to secure the payment of the principal and interest on the 2007 Bonds and other Outstanding Bonds.

The Debt Service Reserve Fund for the Bonds shall be maintained at an amount equal to the lesser of (i) the greatest amount required in the then current or any future calendar year to pay the sum of interest on Outstanding 2007 Bonds and other Outstanding Bonds payable during such calendar year, excluding interest accrued thereon prior to July 1 of the next preceding year, and the principal and the Sinking Fund Installments of Outstanding 2007 Bonds and other Outstanding Bonds payable on or prior to July 1 of such calendar year; (ii) 10% of the net proceeds of the sale of the 2007 Bonds and other Outstanding Bonds or (iii) 125% of average annual debt service on the 2007 Bonds and other Outstanding Bonds. The Debt Service Reserve Fund Requirement upon the date of issuance of the 2007 Bonds will be

\$9,872,425 and will be satisfied by the Reserve Policy to be issued by FGIC upon such date of issuance and two other debt service reserve fund policies previously issued by FGIC. See "The Bond Insurance Policy and The Reserve Policy" below and "Appendix E - Summary of Certain Provisions of the Resolution."

Moneys are to be drawn under the Reserve Policy on deposit in the Debt Service Reserve Fund and deposited in the Debt Service Fund whenever the amount in such Debt Service Fund on the fourth business day prior to an interest payment date is less than the amount which is necessary to pay the principal and interest on Outstanding 2007 Bonds payable on such interest payment date. The Bond Resolution requires that the Institution restore the Debt Service Reserve Fund to its requirement. See "Appendix E - Summary of Certain Provisions of the Resolution."

The Bond Insurance Policy and the Reserve Policy

Financial Guaranty Insurance Company ("FGIC" or the "Insurer") has supplied the following information for inclusion in this Official Statement. No representation is made by the Authority or the Underwriters as to the accuracy or completeness of this information.

Payments Under the Policy

Concurrently with the issuance of the 2007 Bonds, FGIC will issue its Municipal Bond New Issue Insurance Policy for the 2007 Bonds (the "Policy"). The Policy unconditionally guarantees the payment of that portion of the principal or accreted value (if applicable) of and interest on the 2007 Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by the Authority. FGIC will make such payments to U.S. Bank Trust National Association, or its successor as its agent (the "Insurer's Fiscal Agent"), on the later of the date on which such principal, accreted value or interest (as applicable) is due or on the business day next following the day on which FGIC shall have received notice (in accordance with the terms of the Policy) from an owner of 2007 Bonds or the trustee or paying agent (if any) of the nonpayment of such amount by the Authority. The Insurer's Fiscal Agent will disburse such amount due on any 2007 Bond to its owner upon receipt by the Insurer's Fiscal Agent of evidence satisfactory to the Insurer's Fiscal Agent of the owner's right to receive payment of the principal, accreted value or interest (as applicable) due for payment and evidence, including any appropriate instruments of assignment, that all of such owner's rights to payment of such principal, accreted value or interest (as applicable) shall be vested in FGIC. The term "nonpayment" in respect of a 2007 Bond includes any payment of principal, accreted value or interest (as applicable) made to an owner of a 2007 Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

Once issued, the Policy is non-cancellable by FGIC. The Policy covers failure to pay principal (or accreted value, if applicable) of the 2007 Bonds on their stated maturity dates and their mandatory sinking fund redemption dates, and not on any other date on which the 2007 Bonds may have been otherwise called for redemption, accelerated or advanced in maturity. The Policy also covers the failure to pay interest on the stated date for its payment. In the event that payment of the 2007 Bonds is accelerated, FGIC will be obligated to pay principal (or accreted value, if applicable) and interest in the originally scheduled amounts on the originally scheduled payment dates. Upon such payment, FGIC will become the owner of the 2007 Bond, appurtenant coupon or right to payment of principal or interest on such 2007 Bond and will be fully subrogated to all of the 2007 Bondholder's rights thereunder.

The Policy does not insure any risk other than Nonpayment by the Authority. Specifically, the Policy does not cover: (i) payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity; (ii) payment of

any redemption, prepayment or acceleration premium; or (iii) nonpayment of principal (or accreted value, if applicable) or interest caused by the insolvency or negligence or any other act or omission of the trustee or paying agent, if any.

As a condition of its commitment to insure the 2007 Bonds, FGIC may be granted certain rights under the 2007 Bond documentation. The specific rights, if any, granted to FGIC in connection with its insurance of the 2007 Bonds may be set forth in the description of the principal legal documents appearing elsewhere in this Official Statement, and reference should be made thereto.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

The Reserve Policy

Concurrently with the issuance of the 2007 Bonds, FGIC will issue its Municipal Bond Debt Service Fund Policy (the "Reserve Policy"). The Reserve Policy unconditionally guarantees the payment of that portion of the principal or accreted value (if applicable) of and interest on the 2007 Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by the Authority, provided that the aggregate amount paid under the Reserve Policy may not exceed the maximum amount set forth in the Reserve Policy, \$9,679,562.50. FGIC will make such payments to the paying agent (the "Paying Agent") for the 2007 Bonds on the later of the date on which such principal or accreted value (if applicable) and interest is due or on the business day next following the day on which value (if applicable) and interest is due or on the business day next following the day on which FGIC shall have received telephonic or telegraphic notice subsequently confirmed in writing or written notice by registered or certified mail from the Paying Agent of the nonpayment of such amount by the Authority. The term "nonpayment" in respect of a 2007 Bond includes any payment of principal, accreted value or interest (as applicable) made to an owner of a 2007 Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy accordance with a final nonappealable order of a court having competent jurisdiction.

The Reserve Policy is non-cancellable and the premium will be fully paid at the time of delivery of the 2007 Bonds. The Reserve Policy covers failure to pay principal or accreted value (if applicable) of the 2007 Bonds on their respective stated maturity dates, or dates on which the same shall have been called for mandatory sinking fund redemption, and not on any other date on which the 2007 Bonds may have been accelerated, and covers the failure to pay an installment of interest on the stated date for its payment. The Reserve Policy shall terminate on the earlier of the scheduled final maturity date of the 2007 Bonds as of the issuance date of the Reserve Policy or the date on which no 2007 Bonds are outstanding under the authorizing document.

Generally, in connection with its issuance of a Reserve Policy, FGIC requires, among other things, (i) that, so long as it has not failed to comply with its payment obligations under the Reserve Policy, it be granted the power to exercise any remedies available at law or under the authorizing document other than (A) acceleration of the 2007 Bonds or (B) remedies which would adversely affect holders in the event that the Authority fails to reimburse FGIC for any draws on the Reserve Policy; and (ii) that any amendment or supplement to or other modification of the principal legal documents be subject to FGIC's consent. The specific rights, if any, granted to FGIC in connection with its issuance of the Reserve Policy may be set forth in the description of the principal legal documents appearing elsewhere in this Official Statement. Reference should be made as well to such description for a discussion of the circumstances, if any, under which the Authority is required to provide additional or substitute credit enhancement, and related matters.

The Reserve Policy is not covered by the Property/Casualty Insurance Security Fund specific in Article 76 of the New York Insurance Law.

Financial Guaranty Insurance Company

FGIC is a New York stock insurance corporation that writes financial guaranty insurance in respect of public finance and structured finance obligations and other financial obligations, including credit default swaps. FGIC is licensed to engage in the financial guaranty insurance business in all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the U.S. Virgin Islands and the United Kingdom.

FGIC is a direct, wholly owned subsidiary of FGIC Corporation, a Delaware corporation. At March 31, 2007, the principal owners of FGIC Corporation and the approximate percentage of its outstanding common stock owned by each were as follow: The PMI Group, Inc. – 42%; affiliates of the Blackstone Group L.P. – 23%; and affiliates of the Cypress Group L.L.C. – 23%. Neither FGIC Corporation nor any of its stockholders or affiliates is obligated to pay any debts of Financial Guaranty or any claims under any insurance policy, including the Policy or the Reserve Policy, issued by Financial Guaranty.

FGIC is subject to the insurance laws and regulations of the State of New York, where FGIC is domiciled, including New York's comprehensive financial guaranty insurance law. That law, among other things, limits the business of each financial guaranty insurer to financial guaranty insurance (and related lines); requires that each financial guaranty insurer maintain a minimum surplus to policyholders; establishes limits on the aggregate net amount of exposure that may be retained in respect of a particular issuer or revenue source (known as single risk limits) and on the aggregate net amount of exposure that may be retained in respect of particular types of risk as compared to the policyholders' surplus (known as aggregate risk limits); and establishes contingency, loss and unearned premium reserve requirements. In addition, FGIC is also subject to the applicable insurance laws and regulations of all other jurisdictions in which it is licensed to transact insurance business. The insurance laws and regulations, as well as the level of supervisory authority that may be exercised by the various insurance regulators, vary by jurisdiction.

At March 31, 2007, FGIC had net admitted assets of approximately \$3.947 billion, total liabilities of approximately \$2,828 billion, and total capital and policyholders' surplus of approximately \$1.119 billion, determined in accordance with statutory accounting practices ("SAP") prescribed or permitted by insurance regulatory authorities.

The unaudited financial statements as of March 31, 2007 and the audited consolidated financial statements of FGIC and subsidiaries, on the basis of U.S. generally accepted accounting principles ("GAAP"), as of December 31, 2006 and December 31, 2005, which have been filed with the Nationally Recognized Municipal Securities Information Repositories ("NRMSIRs"), are hereby included by specific reference in this Official Statement. Any statement contained herein under the heading "PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE 2007 BONDS – The Bond Insurance Policy and the Reserve Policy" or in any documents included by specific reference herein, shall be modified or superseded to the extent required by any statement in any document subsequently filed by FGIC with such NRMSIRs, and shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement. All financial statements of FGIC (if any) included in documents filed by FGIC with the NRMSIRs subsequent to the date of this Official Statement and prior to the termination of the offering of the 2007 Bonds shall be deemed to be included by specific reference in this Official Statement and to be a part hereof from the respective dates of filing of such documents.

The New York State Insurance Department recognizes only SAP for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the New York Insurance Law, and for determining whether its financial condition warrants the payment of a dividend to its stockholders. Although FGIC prepares both GAAP and SAP financial statements, no consideration is given by the New York State Insurance Department to financial statements prepared in accordance with GAAP in making such determinations. A discussion of the principal differences between SAP and GAAP is contained in the notes to FGIC's audited SAP financial statements.

Copies of FGIC's most recently published GAAP and SAP financial statements are available upon request to: Financial Guaranty Insurance Company, 125 Park Avenue, New York, NY 10017, Attention: Corporate Communications Department. FGIC's telephone number is (212) 312-3000.

FGIC's Credit Ratings

The financial strength of FGIC is rated "AAA" by Standard & Poor's, a Division of The McGraw-Hill Companies, Inc., "Aaa" by Moody's Investors Service, and "AAA" by Fitch Ratings. Each rating of FGIC should be evaluated independently. The ratings reflect the respective ratings agencies' current assessments of the insurance financial strength of FGIC. Any further explanation of any rating may be obtained only from the applicable rating agency. These ratings are not recommendations to buy, sell or hold the 2007 Bonds, and are subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the 2007 Bonds. FGIC does not guarantee the market price or investment value of the 2007 Bonds nor does it guarantee that the ratings on the 2007 Bonds will not be revised or withdrawn.

Neither FGIC nor any of its affiliates accepts any responsibility for the accuracy or completeness of the Official Statement or any information or disclosure that is provided to potential purchasers of the 2007 Bonds, or omitted from such disclosure, other than with respect to the accuracy of information with respect to FGIC or the Policy under the heading "PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE 2007 BONDS — The Bond Insurance Policy and The Reserve Policy." In addition, FGIC makes no representation regarding the 2007 Bonds or the advisability of investing in the 2007 Bonds.

Rights of the Insurer with Respect to the 2007 Bonds

So long as the Insurer is not in default of its obligations to make payments under the Policy and is not insolvent, the Insurer will be treated as the holder of the 2007 Bonds for purposes of the provisions of the Resolution, including for purposes of amendments to the Resolution and events of default and remedies thereunder. With respect to the 2007 Bonds, the Insurer will be deemed to be the Bondholder for all purposes of the Resolution, including those summarized in Appendix E to this Official Statement.

The Mortgage

The obligations of the Institution to the Authority under the Lease Agreement will be secured by a mortgage on the Institution's fee interest in certain property located at 406 West 31st Street in the Borough of Manhattan in the City and State of New York and leasehold interest under the Lease Agreement (the "Mortgage") as well as security interests in the fixtures, furnishings and equipment owned by the Institution and now or hereafter located in or on the Project. The Authority may assign its rights under the Lease Agreement and the Mortgage and its security interests to the Trustee, but has no present intention to do so. Unless the Mortgage is assigned to the Trustee, neither the Mortgage nor the security interests in such fixtures, furnishings and equipment nor any proceeds therefrom will be pledged

to the Holders of the 2007 Bonds. Property subject to the Mortgage may be released, and the Mortgage may be amended, with the prior written consent of the Insurer but without the consent of the Trustee or the Holders of any 2007 Bonds.

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 Installments or Redemption Price of or interest on the 2007 Bonds or other Outstanding Bonds; (ii) the Authority shall take any action, or fail to take any action, which would cause the 2007 Bonds or other Outstanding Bonds to be "arbitrage bonds" within the meaning of the Code, or fail to comply with the provisions of the Code, and as a result thereof interest on the 2007 Bonds or other Outstanding Bonds becomes includable in gross income for federal income tax purposes; (iii) a default by the Authority in the due and punctual performance of any other covenant, condition, agreement or provision contained in the 2007 Bonds or other Outstanding Bonds or in the Resolution which continues for thirty (30) days after written notice thereof is given to the Authority by the Trustee (such notice to be given at the Trustee's discretion or at the written request of the Insurer or of the Holders of not less than 25% in principal amount of Outstanding Bonds); or (iv) an "Event of Default," as defined in the Lease Agreement, shall have occurred and be continuing and all sums payable by the Institution under the Lease Agreement shall have been declared immediately due and payable (unless such declaration shall have been annulled). Unless all sums payable by the Institution under the Lease Agreement are declared immediately due and payable, an event of default under the Lease 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 shall (i) upon the written request of the Holders of not less than 25% in principal amount of the Outstanding Bonds and with the consent of the Insurer by written notice to the Authority, declare the principal of and interest on all the Outstanding Bonds to be due and payable immediately. At the expiration of thirty (30) days from the giving of such notice, such principal and interest shall become immediately due and payable. The Trustee shall, with the written consent of the Holders of not less than 25% in principal amount of the Bonds then Outstanding, annul such declaration and its consequences under the terms and conditions specified in the Resolution with respect to such annulment.

The Insurer shall have the right to direct the method and place of conducting all remedial proceedings to be taken by the Trustee.

The Resolution provides that the Trustee shall give notice in accordance with the Resolution of each event of default known to the Trustee (i) to the Insurer as soon as practicable after knowledge of the occurrence thereof, (ii) to the Institution and to each Facility Provider within five (5) days after knowledge of the occurrence thereof, and (iii) to the Holders of the Outstanding Bonds within thirty (30) days after knowledge of the occurrence thereof unless such default has been remedied or cured before the giving of such notice; provided, however, that except in the case of default in the payment of principal, Sinking Fund Installments or Redemption Price of, or interest on, any of the Outstanding Bonds, the Trustee shall be protected in withholding such notice thereof to the Holders if the Trustee in good faith determines that the withholding of such notice is in the best interests of the Holders of the Outstanding Bonds.

General

The 2007 Bonds will not be a debt of the State nor will the State be liable thereon. The Authority has no taxing power. The Authority has never defaulted in the timely payment of principal or sinking fund installments of or interest on its bonds or notes. See "PART 8 - THE AUTHORITY."

PART 3 - THE 2007 BONDS

Description of the 2007 Bonds

The 2007 Bonds will be issued pursuant to the Resolution. The 2007 Bonds will be dated the date of delivery, and will bear interest from such date (payable July 1, 2007 and on each January 1 and July 1 thereafter) at the rates, and will mature at the times set forth on the inside cover page of this Official Statement.

The 2007 Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof and will be exchangeable for other fully registered 2007 Bonds in any other authorized denomination of the same maturity. The Trustee may impose a charge sufficient to reimburse the Authority or the Trustee for any tax, fee or other governmental charge required to be paid with respect to such exchange or any transfer of a 2007 Bond. The cost, if any, of preparing each new 2007 Bond issued upon such exchange or transfer and any other expenses of the Authority or the Trustee incurred in connection therewith, will be paid by the person requesting such exchange or transfer.

The 2007 Bonds will be registered in the name of Cede & Co., as nominee of the Depository Trust Company ("DTC"), pursuant to DTC's Book-Entry Only System. Purchases of beneficial interests in the 2007 Bonds will be made in book-entry form, without certificates. If at any time the Book-Entry Only System is discontinued for the 2007 Bonds, the 2007 Bonds will be exchangeable for other fully registered 2007 Bonds in any other authorized denominations of the same maturity without charge except the payment of any tax, fee or other governmental charge to be paid with respect to such exchange, subject to the conditions and restrictions set forth in the Resolution. See "Book-Entry Only System" herein.

The principal of and interest on the 2007 Bonds will be payable in lawful money of the United States of America. The principal or Redemption Price of the 2007 Bonds will be payable at the principal corporate trust office of The Bank of New York, New York, New York, the Trustee and Paying Agent. Interest on the 2007 Bonds will be payable by check or draft mailed to the registered owners thereof at their addresses as shown on the registration books held by the Trustee. Interest is payable to the registered owners who are such registered owners at the close of business on the Record Date which is the fifteenth day of the calendar month next preceding an interest payment date. Interest will be paid to any Bondholder of \$1,000,000 or more aggregate principal amount of 2007 Bonds by wire transfer to the address within the continental United States specified by such Bondholder, upon the written request of such Holder received not less than five days prior to the Record Date. Bondholders of \$1,000,000 or more aggregate principal amount of 2007 Bonds may receive the Redemption Price to be paid on their 2007 Bonds by wire transfer at the address in the continental United States specified by such Bondholder in a written request given to the Trustee at the time presentation and surrender to the Trustee of the 2007 Bonds to be redeemed is made.

Redemption Provisions

Optional Redemption

The 2007 Bonds are not subject to optional redemption prior to maturity.

Mandatory Redemption

The 2007 Bonds due on July 1, 2031 and July 1, 2034 are subject to redemption, in part, at a redemption price equal to the principal amount thereof, plus accrued interest to the date of redemption, without premium, from mandatory Sinking Fund Installments which are required to be made in amounts sufficient to redeem the principal amount of 2007 Bonds specified on the dates and in the amounts set forth below:

<u>2031 Maturity</u>		<u>2034 Maturity</u>	
<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>
July 1, 2030	\$7,490,000	July 1, 2032	\$8,300,000
July 1, 2031*	7,885,000	July 1, 2033	8,730,000
		July 1, 2034*	9,190,000

* Final Maturity.

The Authority may from time to time direct the Trustee to purchase 2007 Bonds with moneys in the Debt Service Fund, at or below par plus accrued interest to the date of such purchase, and apply any 2007 Bonds so purchased as a credit, at 100% of the principal amount thereof against and in fulfillment of a required Sinking Fund Installment on the 2007 Bonds of the same maturity. The Institution also may purchase 2007 Bonds and apply any 2007 Bonds so purchased as a credit, at 100% of the principal amount thereof against and in fulfillment of a required Sinking Fund Installment on the 2007 Bonds of the same maturity. To the extent the Authority's obligation to make Sinking Fund Installments in a particular year is fulfilled through such purchases, the likelihood of redemption through mandatory Sinking Fund Installments of any Bondholder's 2007 Bonds of the maturity so purchased will be reduced for the year.

Extraordinary Mandatory Redemption

The 2007 Bonds are subject to extraordinary mandatory redemption, in whole or in part, at any time on and after July 1, 2017, at 100% of the principal amount thereof, plus accrued interest to the redemption date, if the Authority and the Institution have received the written advice of Bond Counsel that such redemption is necessary to preserve the exclusion of the interest on the 2007 Bonds from gross income for federal income tax purposes as a result of a change in use or disposition of any facility financed or refinanced with the proceeds of the 2007 Bonds.

Special Redemption

The 2007 Bonds are subject to redemption, in whole or in part, at 100% of the principal amount thereof, at the option of the Authority on any interest payment date, from proceeds of a condemnation or insurance award, which proceeds are not used to repair, restore or replace the Project or the Mortgaged Property.

Selection of Bonds to be Redeemed. In the case of redemption of 2007 Bonds described above under the heading "*Extraordinary Mandatory Redemption*," the Authority will select the maturities of the 2007 Bonds to be redeemed. In the case of redemption of 2007 Bonds described above under the heading "*Special Redemption*," 2007 Bonds will be redeemed to the extent practicable pro rata among maturities within the 2007 Bonds to be redeemed. If less than all of the 2007 Bonds of a maturity are to be redeemed, the 2007 Bonds of such maturity to be redeemed will be selected by the Trustee, by lot, using such method of selection as the Trustee shall consider proper in its discretion.

Notice of Redemption. The Trustee is to give notice of the redemption of the 2007 Bonds in the name of the Authority which notice shall be given by first-class mail, postage prepaid, not less than thirty (30) days nor more than forty-five (45) days prior to the redemption date to the registered owners of any 2007 Bonds which are to be redeemed, at their last known addresses appearing on the registration books. The failure of any owner of a 2007 Bond to be redeemed to receive notice of redemption thereof will not affect the validity of the proceedings for the redemption of such 2007 Bond. If directed in writing by an Authorized Officer of the Authority, the Trustee shall publish or cause to be published such notice in an Authorized Newspaper not less than thirty (30) days nor more than forty-five (45) days prior to the redemption date, but such publication is not a condition precedent to such redemption and failure to publish such notice or any defect in such notice or publication will not affect the validity of the proceedings for the redemption of such 2007 Bonds.

If, on the redemption date, moneys for the redemption of the 2007 Bonds of like maturity to be redeemed, together with interest thereon to the redemption date, are held by the Trustee so as to be available for payment of the Redemption Price, and if notice of redemption shall have been mailed, then interest on the 2007 Bonds of such maturity will cease to accrue from and after the redemption date and such 2007 Bonds will no longer be considered to be Outstanding under the Resolution.

For a more complete description of the redemption and other provisions relating to the 2007 Bonds, see "Appendix E – Summary of Certain Provisions of the Resolution." Also see "Book-Entry Only System" below for a description of the notices of redemption to be given to Beneficial Owners of the 2007 Bonds when the Book-Entry Only System is in effect.

Principal and Interest Requirements

The following table sets forth the amounts required to be paid by the Institution during each twelve month period ending June 30 of the Bond Years shown for the payment of (i) the interest on the 2007 Bonds payable on January 1 of such year and the principal and interest on the 2007 Bonds payable on the succeeding July 1 and the aggregate payments to be made by the Institution during each such period with respect to the 2007 Bonds, (ii) debt service on other outstanding indebtedness for which the Institution is obligated and (iii) total debt service on all indebtedness which the Institution is obligated, including the 2007 Bonds.

12-Month Period Ending June 30	2007 Bonds			Other Institution Debt Service*	Total Institution Debt Service*
	Principal	Interest Payments	Total		
2007	\$ -	\$ 500,688	\$ 500,688	\$ 2,407,438	\$ 2,908,125
2008	-	5,814,438	5,814,438	4,055,038	9,869,475
2009	-	5,814,438	5,814,438	4,055,238	9,869,675
2010	-	5,814,438	5,814,438	4,053,988	9,868,425
2011	-	5,814,438	5,814,438	4,055,988	9,870,425
2012	-	5,814,438	5,814,438	4,055,738	9,870,175
2013	-	5,814,438	5,814,438	4,057,988	9,872,425
2014	-	5,814,438	5,814,438	4,057,238	9,871,675
2015	-	5,814,438	5,814,438	4,054,538	9,868,975
2016	-	5,814,438	5,814,438	4,057,388	9,871,825
2017	3,860,000	5,814,438	9,674,438	-	9,674,438
2018	4,055,000	5,621,438	9,676,438	-	9,676,438
2019	4,265,000	5,408,550	9,673,550	-	9,673,550
2020	4,490,000	5,184,638	9,674,638	-	9,674,638
2021	4,730,000	4,948,913	9,678,913	-	9,678,913
2022	4,975,000	4,700,588	9,675,588	-	9,675,588
2023	5,235,000	4,439,400	9,674,400	-	9,674,400
2024	5,515,000	4,164,563	9,679,563	-	9,679,563
2025	5,800,000	3,875,025	9,675,025	-	9,675,025
2026	6,105,000	3,570,525	9,675,525	-	9,675,525
2027	6,425,000	3,250,013	9,675,013	-	9,675,013
2028	6,765,000	2,912,700	9,677,700	-	9,677,700
2029	7,120,000	2,557,538	9,677,538	-	9,677,538
2030	7,490,000	2,183,738	9,673,738	-	9,673,738
2031	7,885,000	1,790,513	9,675,513	-	9,675,513
2032	8,300,000	1,376,550	9,676,550	-	9,676,550
2033	8,730,000	940,800	9,670,800	-	9,670,800
2034	9,190,000	482,475	9,672,475	-	9,672,475
	\$ 110,935,000	\$ 116,053,025	\$ 226,988,025	\$ 38,910,575	\$ 265,898,600

* Does not include debt service on Refunded Bonds.

Note: Amounts are not exact due to rounding.

Book-Entry Only System

DTC will act as securities depository for the 2007 Bonds. The 2007 Bonds will be issued as fully-registered bonds in the name of Cede & Co. (DTC's partnership nominee). One fully registered 2007 Bond certificate will be issued for each maturity of each Series of the 2007 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over two million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and

certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, each a subsidiary of DTCC, as well as 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 both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's Ratings Services' highest rating: AAA. The DTC Rules applicable to Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of 2007 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2007 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2007 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 2007 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 2007 Bonds, except in the event that use of the book-entry system for a Series of the 2007 Bonds is discontinued.

To facilitate subsequent transfers, all 2007 Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of 2007 Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2007 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2007 Bonds are credited, which may or may not be the Beneficial Owners. The 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. If less than all of the 2007 Bonds within a maturity of a Series are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to 2007 Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an omnibus proxy (the "Omnibus Proxy") to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2007 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the 2007 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 on the payable date in accordance with their respective

holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in street name, and will be the responsibility of such Participant and not of DTC, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest payments to DTC is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

The Authority and the Trustee may treat DTC (or its nominee) as the sole and exclusive registered owner of the 2007 Bonds registered in its name for the purposes of payment of the redemption proceeds and principal and interest on the 2007 Bonds, giving any notice permitted or required to be given to registered owners under the Resolution, registering the transfer of the 2007 Bonds, or other action to be taken by registered owners and for all other purposes whatsoever. The Authority and the Trustee shall not have any responsibility or obligation to any Participant, any person claiming a beneficial ownership interest in the 2007 Bonds under or through DTC or any Participant, or any other person which is not shown on the registration books of the Authority (kept by the Trustee) as being a registered owner, with respect to the accuracy of any records maintained by DTC or any Participant; the payment by DTC or any Participant of any amount in respect of the principal, redemption premium, if any, or interest on the 2007 Bonds; any notice which is permitted or required to be given to registered owners thereunder or under the conditions to transfers or exchanges adopted by the Authority; or other action taken by DTC as a registered owner.

For every transfer and exchange of beneficial ownership of the 2007 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 with respect to a Series of the 2007 Bonds at any time by giving notice to the Authority and discharging its responsibilities with respect thereto under applicable law, or the Authority may terminate its participation in the system of book-entry transfer through DTC at any time by giving notice to DTC. In either event, the Authority may retain another securities depository for a Series of the 2007 Bonds or may direct the Trustee to deliver bond certificates in accordance with instructions from DTC or its successor. If the Authority directs the Trustee to deliver such bond certificates, such 2007 Bonds of a Series may thereafter be exchanged for an equal aggregate principal amount of 2007 Bonds in any other authorized denominations and of the same series and maturity as set forth in the Resolution, upon surrender thereof at the principal corporate trust office of the Trustee, who will then be responsible for maintaining the registration books of the Authority.

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 the Authority, the Trustee nor the Underwriters make any representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

NEITHER THE AUTHORITY 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

THE AUTHORITY'S OBLIGATION UNDER THE ACT AND THE RESOLUTION TO THE EXTENT OF SUCH PAYMENTS.

PART 4 - FIT STUDENT HOUSING CORPORATION

FIT Student Housing Corporation (the "Institution" or the "Corporation") is a not-for-profit corporation formed by the Fashion Institute of Technology ("FIT" or the "College") in 1985 to own and operate certain dormitories for FIT. The Institution owns Nagler Hall, a 10-story building built in 1960, and Alumni Hall, an 18-story building that opened in August 1988.

In early June 2004, the Institution purchased a fifteen story building on West 31st Street between Ninth and Tenth Avenues, several blocks from the College campus, to be converted into a 1,100-bed residential hall, which would almost double the College's total residential capacity. The purchase and renovation was financed by \$144,545,000 of insured revenue bonds issued in 2004 by the Dormitory Authority of New York State ("DASNY").

The College's board of trustees also serves as the board of directors for the Institution. The board of directors establishes the room and board rates.

As of June 30, 2006, the Institution had total assets of \$164,125,641, total liabilities of \$152,786,941 and total net assets of \$11,338,700. Set forth below is certain financial information with respect to the Institution derived from the financial statements for the Institution for the fiscal years ended June 30, 2002 through June 30, 2006. Certain information for years prior to 2006 has been re-stated to conform to the most recent reporting requirements.

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FIT Student Housing Corporation
Financial Statements for the Year Ended June 30,

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<u>Income</u>					
Student Rental Revenues	\$4,185,189	\$4,155,042	\$4,476,636	\$4,908,448	\$5,627,252
Meal Plan Revenues	700,721	736,764	736,695	765,815	1,120,437
Other Rental Income	141,112	96,150	128,971	161,632	122,343
Commissions & Misc.	56,984	44,163	75,825	59,433	105,145
Educational Foundation	375,000	250,000	250,000	250,000	250,000
Bank Interest	8,231	16,076	10,622	17,672	14,746
Investment Income	102,289	9,516	(98,239)	47,359	203,897
Total Income	<u>\$5,569,526</u>	<u>\$5,307,711</u>	<u>\$5,580,510</u>	<u>\$6,210,359</u>	<u>\$7,443,820</u>
<u>Operating Expenses</u>					
Meal Contracts	\$701,039	\$733,495	\$736,831	\$768,145	\$1,116,958
Building Operations	1,521,513	1,377,820	1,512,714	1,478,773	1,740,016
Resident Life Office	819,202	893,497	854,328	1,003,445	997,408
Institutional Support	419,321	475,590	585,517	651,107	710,513
Telecommunications	93,294	116,367	98,108	125,813	180,040
Total Operating Expenses	<u>\$3,554,369</u>	<u>\$3,596,769</u>	<u>\$3,787,498</u>	<u>\$4,027,283</u>	<u>\$4,744,935</u>
<u>Non-Operating Expenses</u>					
Interest Expense	\$497,414	\$427,978	\$360,864	\$248,446	\$142,206
Depreciation	741,533	864,538	874,551	891,308	902,198
Amortization	(12,003)	29,064	18,517	27,749	35,951
Total Non-Operating Expenses	<u>\$1,226,944</u>	<u>\$1,321,580</u>	<u>\$1,253,932</u>	<u>\$1,167,503</u>	<u>\$1,080,355</u>
Total Expenses	<u>\$4,781,313</u>	<u>\$4,918,349</u>	<u>\$5,041,430</u>	<u>\$5,194,786</u>	<u>\$5,825,290</u>
Net Income	<u>\$788,213</u>	<u>\$389,362</u>	<u>\$539,080</u>	<u>\$1,015,573</u>	<u>\$1,618,530</u>

PART 5 - FASHION INSTITUTE OF TECHNOLOGY

GENERAL INFORMATION

History

Fashion Institute of Technology is a community college under the program of the State University of New York and is sponsored by the City of New York. A co-educational institution of higher education, FIT is a specialized college of art and design, business and technology. The current physical plant consists of five academic/administration buildings located on a two block square campus bounded

by 7th and 8th Avenues and West 26th and West 28th Streets. In addition to these buildings, the College also rents office space in a privately owned building on 27th Street.

Founded in 1944 as the answer to the recognized needs of the fashion industries for professionally prepared people, FIT is a unique institution. In 1951, FIT became one of the first community colleges under the program of the State University of New York empowered to grant the Associate in Applied Science degree. An amendment to the education law of New York State was approved in 1975 permitting the College to also confer Bachelor of Science and Bachelor of Fine Arts degrees. In 1979 another amendment was approved authorizing the granting of master's degrees. FIT receives its principal support from the State and City of New York, and from tuition revenue. State support is based on legislative formula, while support from the City is adjusted periodically based on the cost of negotiated labor contracts.

Accreditation

The College is a fully-accredited member of the Middle States Association of Colleges and Secondary Schools, the National Association of Schools of Art and Design, and the Foundation for Interior Design Educational Research.

Academic Program

FIT is a specialized college of art and design, business and technology devoted to preparing men and women for careers in fashion and its related professions and industries, and also to provide leadership, research and other services to those professions and industries. FIT offers not only essential professional preparation, but also a full range of liberal arts courses, as well as counseling and placement services, extra-curricular activities, and access to the cultural life of New York City.

FIT has four academic schools: Liberal Arts, Art and Design, Business and Technology and Graduate Studies. The following degree programs are offered:

An Associate of Arts degree may be earned by students who major in:

- Accessories Design
- Advertising & Marketing Communication
- Communication Design
- Display and Exhibit Design
- Fashion Design
- Fashion Merchandising Management
- Fine Arts
- Illustration
- Interior Design
- Jewelry Design
- Menswear
- Pattern Making Technology
- Photography
- Production Management: Fashion & Related Industries
- Textile Development and Marketing
- Textile/Surface Design

A Bachelor of Fine Arts degree may be earned by students who major in:

- Accessories Design & Fabrication
- Advertising Design
- Computer Animation and Interactive Media
- Fabric Styling
- Fashion Design
- Fine Arts
- Graphic Design
- Illustration
- Interior Design
- Packaging Design
- Restoration
- Textile/Surface Design
- Toy Design

A Bachelor of Science degree may be earned by students who major in:

- Advertising & Marketing Communications
- Cosmetics and Fragrance Marketing
- Direct Marketing
- Fashion Merchandising Management
- Home Products Development
- International Trade and Marketing for the Fashion Industries
- Photography and the Digital Image
- Production Management: Textiles
- Production Management: Fashion & Related Industries
- Visual Art Management

A Master of Professional Studies degree may be earned by students in:

- Cosmetics and Fragrance Marketing and Management program

A Master of Arts degree may be earned by students in the programs:

- Art Market: Principles & Practices
- Fashion & Textile Studies: History, Theory, Museum Practice

Governance

The College is governed by a Board of Trustees comprised of ten voting members, four of whom are appointed by the Governor of the State of New York, five by the New York City Panel for Educational Policy, one student trustee who is elected by the student body and two non-voting emeritus members. Depending on their date of appointment, trustees serve either a seven- or nine-year term and the student trustee serves for one year.

The current members of the FIT Board of Trustees are as follows:

Edwin A. Goodman – Chairman
General Partner, Milestone Venture Partners

Jerome A. Chazen – Vice-Chairman
Chairman, Chazen Capital Partners, LLC

Jay H. Baker

Robin Burns – McNeill

Christina R. Davis

Yaz Hernandez

George S. Kaufman
President, Kaufman Realty Corporation

Jay Mazur

Elizabeth T. Peek

Heather Golden
Student Trustee

Peter G. Scotese
Chairman Emeritus

John J. Pomerantz
Trustee Emeritus

There is an executive committee of the Board of Trustees which consists of four members of the Board. The Chairman of the Board is empowered by the By-Laws to appoint other special and general committees as needed, the members of which may or may not be drawn from the Board. The members of the administration of the College are listed below:

Joyce F. Brown
B.A., Marymount College at Tarrytown
M.A., Ph.D., New York University; Certification,
Institute for Educational Management,
Harvard University

President

Harvey W. Spector*
B.A., Ohio University; M.A., M.C.R.P.,
Ohio State University

Treasurer and Vice President
for Finance and Operations

Jeffrey I. Slonim
B.S., State University of New York at Stony
Brook; J.D., The National Law Center,
The George Washington University

General Counsel and
Secretary of the College

* Mr. Spector has announced his resignation from the College effective June 1, 2007.

Reginetta Haboucha
 B.A., Queens College, City University of New York;
 M.A., Ph.D., The Johns Hopkins University;
 Certification, Institute for Educational Management
 Harvard University

Vice President for Academic Affairs

Loretta Lawrence Keane
 A.A.S., B.A., St. Francis College;
 Certification, Institute for Educational Management
 Harvard University

Vice President for Communications and
 External Relations

Herbert A. Cohen
 B.A., Long Island University;
 M.A., New York University;
 Ed. D., University of South Dakota

Vice President for Student Affairs

Annette C. Piccora
 B.B.A., Ms. Ed.-SPAF, Bernard M. Baruch College,
 City University of New York

Vice President for Human Resources and
 Labor Relations

Gregg Chottiner
 B.S., Capital College
 M.S., University of Maryland;
 Federal CIO Certification, CIO University

Vice President for Information
 Technology & CIO

OPERATING INFORMATION

Admissions

The number of full time students attending FIT in the 2005-2006 academic year was 6,698. Approximately 4.28 applications were received for each place in the entering Associate Degree program for the Fall 2005 semester. The following table indicates the applications received, students accepted and students enrolled for the fall semester over the past five years.

ENTERING ASSOCIATE DEGREE STUDENTS

	<u>Fall 2002</u>	<u>Fall 2003</u>	<u>Fall 2004</u>	<u>Fall 2005</u>	<u>Fall 2006</u>
Total Applications	7,923	7,996	8,102	9,995	10,107
Acceptances	2,708	2,406	2,432	2,427	2,361
Acceptance Rate	34.2%	30.1%	30.0%	24.3%	23.4%
Number Enrolled	1,887	1,742	1,817	1,787	1,664
Yield	69.7%	72.4%	74.7%	73.6%	70.5%

Enrollment

The following table summarizes FIT's enrollment history for the past five years:

ENROLLMENT SUMMARY

	<u>Fall 2002</u>	<u>Fall 2003</u>	<u>Fall 2004</u>	<u>Fall 2005</u>	<u>Fall 2006</u>
Undergraduate	10,758	10,653	10,378	10,199	9,825
Graduate	<u>97</u>	<u>112</u>	<u>135</u>	<u>182</u>	<u>185</u>
Total Headcount	10,855	10,765	10,513	10,381	10,010
Full-Time	6,544	6,631	6,605	6,769	6,698
Part-Time	<u>4,311</u>	<u>4,134</u>	<u>3,908</u>	<u>3,612</u>	<u>3,312</u>
Total Headcount	10,855	10,765	10,513	10,381	10,010

Full-Time Equivalent Enrollment

	<u>Fall 2002</u>	<u>Fall 2003</u>	<u>Fall 2004</u>	<u>Fall 2005</u>	<u>Fall 2006</u>
Undergraduate	8,200	8,284	8,182	8,245	8,092
Graduate	<u>65</u>	<u>52</u>	<u>77</u>	<u>103</u>	<u>104</u>
Total Full-Time Equivalent	8,265	8,336	8,259	8,348	8,196

All full-time students are matriculated. Approximately 68% of the students enrolled (full and part-time) are New York State residents. The remaining come from 48 states and 72 foreign countries. FIT does not maintain statistics on its students' SAT scores.

Tuition and Other Student Charges

The resident Associate Degree tuition, room, board and mandatory fees for full-time students at FIT for the past five academic years are as follows:

ANNUAL TUITION AND FEES (Full-Time Students)

	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>
In-State					
Lower Division	\$2,600	\$2,750	\$2,900	\$2,900	\$3,074
Upper Division	\$3,104	\$3,400	\$4,350	\$4,350	\$4,350
Graduate	\$4,756	\$5,100	\$6,900	\$6,900	\$6,900
Out-of-State					
Lower Division	\$6,500	\$7,250	\$8,250	\$8,700	\$9,222
Upper Division	\$7,556	\$7,992	\$10,300	\$10,300	\$10,610
Graduate	\$10,223	\$8,416	\$10,500	\$10,500	\$10,920
Mandatory Fees	\$210	\$270	\$270	\$370	\$420

ANNUAL DORMITORY RATES

	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>
Alumni Hall (504 beds)	\$5,214	\$5,214	\$5,606	\$6,166	\$7,092
Nagler Hall					
Dorm Room (292 beds)	\$3,548	\$3,548	\$3,814	\$4,196	\$4,824
Studios (34 bed-average)	\$4,795	\$4,795	\$5,155	\$5,670	\$6,520
31st Street					
Single (5 beds)	--	--	--	--	\$7,088
Large Double (760 beds)	--	--	--	--	\$4,862
Small Double (92 beds)	--	--	--	--	\$4,635
Triple (69 beds)	--	--	--	--	\$4,500
Quadruple (176 beds)	--	--	--	--	\$4,162

Financial Aid

FIT's students benefit from numerous scholarship and financial aid programs. For the 2005-2006 academic year, over 4,000 students received some form of financial aid, including grants from the resources of the Educational Foundation for the Fashion Industries, Inc. (the "Foundation"), an affiliated organization, as well as Federal Pell Grants, Supplemental Educational Opportunity Grants, Perkins Loans, Federal Work-Study Program, Alternative Loans, and Federal Family Educational Loans which include both parent and student loans.

Student scholarships are awarded predominantly on the basis of need and academic performance in accordance with the donor's eligibility requirements. FIT does award a number of scholarships each year on the basis of academic performance. A summary of the funds provided for scholarships and financial aid and their sources for the past five fiscal years is as follows:

SOURCES OF UNDERGRADUATE SCHOLARSHIP AND GRANT AID

	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>
FIT Grants	\$ 1,840,882	\$ 1,127,879	\$ 849,815	\$ 969,241	\$ 895,844
New York State Grants	2,905,157	3,234,024	3,832,620	3,842,997	3,780,217
Federal Grants	5,158,919	5,472,668	5,334,011	5,236,568	4,851,096
New York City Grants	--	--	--	--	141,875
Other Outside Awards	<u>458,670</u>	<u>412,624</u>	<u>175,465</u>	<u>152,390</u>	<u>253,036</u>
Total	\$10,363,628	\$10,247,195	\$10,191,911	\$10,201,196	\$9,922,068

Faculty

There were 933 total faculty members employed by the Institution as of Fall 2005 of whom approximately 219 serve full-time; 89% of the permanent full-time faculty members hold tenure. The majority of the Institution's full-time faculty are appointed within one of the four principal academic ranks: Professor, Associate Professor, Assistant Professor and Instructor.

The following table sets forth the faculty profile for the last five academic years.

FACULTY PROFILE

	<u>Fall 2002</u>	<u>Fall 2003</u>	<u>Fall 2004</u>	<u>Fall 2005</u>	<u>Fall 2006</u>
Full-Time Faculty	208	209	220	216	219
Part-Time Faculty	758	753	727	748	714
Total Faculty Headcount	966	962	947	964	933
Full-Time Equivalent Faculty	657	646	633	645	641
Tenured Faculty	153	161	175	182	194
Percentage of Full-Time Faculty with Tenure	74%	77%	80%	84%	89%

ANNUAL FINANCIAL STATEMENT INFORMATION

The College's financial statements for the fiscal year ended June 30, 2006 are included in Appendix B herein. Set forth below is certain financial information with respect to the College derived from the financial statements for the College for the fiscal years ended June 30, 2002 through June 30, 2006.

**Fashion Institute of Technology
Year Ended June 30,**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<u>Revenues</u>					
Tuition and Fees (net of Scholarships and Allowances)	\$32,871,040	\$36,041,091	\$44,018,312	\$45,656,005	\$49,736,908
New York City Appropriation	31,622,955	29,926,136	31,249,336	31,898,965	31,779,479
New York State Appropriation	19,526,880	20,402,230	20,427,370	19,757,840	21,244,860
Charges to Counties	8,461,742	8,456,454	11,171,187	12,881,448	12,769,270
Interest Income	2,457,485	1,051,903	751,140	1,145,627	1,853,481
Earned & Miscellaneous	1,073,885	1,289,412	1,751,907	1,679,576	2,543,022
Grants & Appropriations	17,908,386	15,684,355	15,239,828	13,410,694	12,706,865
Total Revenues	<u>\$113,922,373</u>	<u>\$112,851,581</u>	<u>\$124,609,080</u>	<u>\$126,430,155</u>	<u>\$132,633,885</u>
<u>Expenses</u>					
Instructional	\$47,396,196	\$50,227,231	\$50,322,167	\$53,653,942	\$54,731,633
Public Service	34,240	218,243	260,236	249,746	335,235
Academic Support	12,681,549	12,962,266	12,857,129	13,646,525	15,418,729
Student Services	8,897,496	9,887,683	9,642,051	10,297,323	10,509,104
Institutional Support	22,679,754	23,574,418	26,174,892	29,942,477	30,659,145
Student Aid & Loan Expense	356,109	380,959	389,680	334,853	308,916
Plant M&O	9,418,017	10,637,921	11,251,703	11,708,856	12,814,118
Student Association	1,465,665	1,557,188	1,695,556	1,799,893	2,066,380
Debt Expense	1,021,722	1,004,869	993,396	981,139	968,626
Depreciation	4,687,738	4,590,144	4,042,155	5,265,340	5,416,786
Total Expenses	<u>\$108,638,486</u>	<u>\$115,040,922</u>	<u>\$117,628,965</u>	<u>\$127,880,094</u>	<u>\$133,228,672</u>

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<u>Net Income</u> (Loss)	\$5,283,887	(\$2,189,341)	\$6,980,115	(\$1,449,939)	(\$594,787)
<u>Net Assets</u>					
Beginning	\$63,424,371	\$68,708,258	\$66,518,917	\$73,499,032	\$68,280,610
Adjust Beginning Net Assets				(3,768,483)	
End	\$68,708,258	\$66,518,917	\$73,499,032	\$68,280,610	\$67,685,823

Loan from FIT to the Institution

From January 2006 to November 2006, the College loaned \$6,300,000 to FIT Student Housing Corporation to cover additional renovation expenses relating to the dormitory located at 406 West 31st Street. The terms of the loan require the Institution to repay the College principal plus interest of 5% over a fifteen year period beginning in 2010. As of March 2007, accrued interest on the loan totaled \$220,739.

In December 2006, a member of the Board of the Trustees of the College and the Institution pledged \$4,000,000 over a period of four years. The Corporation expects to apply payments of the pledge toward repayment of the loan. The first payment of \$1,000,000 was received in December 2006.

As of March 31, 2007, the total loan payable (principal plus interest) was \$5,520,739, which will be reduced by the pledge of \$3,000,000, resulting in a net loan payable of \$2,520,739.

City Aid

The College's revenues include financial assistance from New York City. This assistance amounted to \$31,779,479 in 2006, representing 24% of all revenue. The City partially funds the cost of negotiated labor contracts and the cost of pension and social security benefits. The City's budget includes contributions to the College of \$37,187,692 for fiscal 2007 and \$38,869,555 for fiscal 2008. This funding is subject to the ability of the City to pay the amount appropriated. Future City aid depends on annual appropriations by the City and the ability of the City to pay the amount appropriated.

State Aid

The College's revenues include financial assistance from the State of New York in the amount of \$21,244,860 for 2006, pursuant to a statutory formula applicable for all community colleges, representing 16% of all revenue, and \$22,839,644 in fiscal 2007. FIT expects to receive \$24,153,194 from this source for fiscal 2008. Future State institutional aid depends on annual appropriations by the Legislature and the ability of the State to pay the amount appropriated.

County Aid

The \$12,769,270 received by the College in 2006, in the form of assistance derived from 50 counties, is as calculated in accordance with a statutory formula applicable for all community colleges.

Gifts and Endowments to the Institution

Through the Foundation, FIT receives gifts which are used primarily for scholarships, program support and capital improvements.

Outstanding Indebtedness

As of March 1, 2007, the College had \$16,795,000 outstanding in Series 2000 bonds. Debt service on the Series 2000 Bonds is paid for by both the City and State.

Labor Relations

FIT has satisfactory relations with its faculty and non-academic employees. Both groups are represented by the United College Employees of FIT and are party to its terms in collective bargaining. The current collective bargaining agreement expires on May 31, 2008.

Pension Plans

The College participates in the New York State Teachers' Retirement System and the Teachers Insurance & Annuity Association/College Retirement Equities Fund. Full-time eligible employees are covered by one of these plans. For the fiscal year ended June 30, 2006, the cost to the College for these two pension plans was \$1,271,063 and \$3,858,966 respectively.

Plant Values

With the exception of the land and buildings comprising the residential hall located on West 31st Street and three other dormitories, and rented space in a privately owned office building on West 27th Street, ownership of the buildings, grounds, and physical plant occupied by the College is vested in the City of New York and there is no charge or cost allocated to FIT for their use. The City's investment in the above is estimated at \$151,049,997 less accumulated depreciation of \$112,353,335.

LITIGATION

There are various claims and pending litigation matters to which FIT is a party. FIT believes, based upon the opinions of the counsel handling such matters, that they would not individually, or in the aggregate, materially affect the ability of FIT to meet its commitments.

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PART 6 - PLAN OF REFUNDING

A portion of the proceeds of the 2007 Bonds, will be used to provide for the payment of certain bonds issued in 2004 by the Authority on behalf of the Institution and FIT (the "Refunded Bonds"). The series, maturities and principal amounts of the Refunded Bonds are listed below. Such proceeds and other available funds will be used to purchase direct non-callable obligations of the United States of America (the "Defeasance Securities"), the maturing principal and interest on which will be sufficient, together with any uninvested cash, to pay the interest on the principal and redemption price (if applicable) of the respective Refunded Bonds coming due on and prior to their respective maturity and redemption dates. See "PART 16 - VERIFICATION OF MATHEMATICAL COMPUTATIONS." Simultaneously with the issuance and delivery of the 2007 Bonds, such Defeasance Securities will be deposited with the Trustee. At the time of such deposit, the Authority will give the Trustee irrevocable instructions to give notice of redemption of the respective Refunded Bonds and to apply the maturing principal of and interest on the applicable Defeasance Securities, together with any uninvested cash, held in trust solely for the payment of the principal, interest and redemption price coming due on such Refunded Bonds.

In the opinion of Bond Counsel to the Authority, upon making such deposits with the Trustee and the giving of such irrevocable instructions, the Refunded Bonds will, under the terms of the Resolution, be deemed to have been paid, will no longer be outstanding and the covenants, agreements and obligations of the Authority with respect to the Refunded Bonds under the Resolution will be discharged and satisfied.

The Authority expects to redeem the Authority's FIT Student Housing Corporation Insured Revenue Bonds, Series 2004 listed below from the proceeds of the 2007 Bonds on the dates set forth below. The refunding is contingent upon the delivery of the 2007 Bonds.

<u>Maturity Date</u>	<u>Outstanding Principal Amount</u>	<u>Principal Amount Redeemed</u>	<u>Interest Rate</u>	<u>Redemption Price</u>	<u>Call Date</u>
July 1, 2017	\$ 4,055,000	100%	5.250%	100%	July 1, 2014
July 1, 2018	4,270,000	100%	5.250%	100%	July 1, 2014
July 1, 2019	4,490,000	100%	5.250%	100%	July 1, 2014
July 1, 2020	4,730,000	100%	4.875%	100%	July 1, 2014
July 1, 2021	4,960,000	100%	4.950%	100%	July 1, 2014
July 1, 2022	5,205,000	100%	5.000%	100%	July 1, 2014
July 1, 2023	5,465,000	100%	5.000%	100%	July 1, 2014
July 1, 2024	5,740,000	100%	5.000%	100%	July 1, 2014
July 1, 2025	6,025,000	100%	5.100%	100%	July 1, 2014
July 1, 2026	6,330,000	100%	5.125%	100%	July 1, 2014
July 1, 2029	20,985,000	100%	5.000%	100%	July 1, 2014
July 1, 2034	42,680,000	100%	5.125%	100%	July 1, 2014

PART 7 - ESTIMATED SOURCES AND USES OF FUNDS

Estimated sources and uses of funds are as follows:

Sources of Funds	
Principal Amount of 2007 Bonds.....	\$110,935,000.00
Plus: Original Issue Premium.....	14,739,188.60
Total Sources	<u>\$125,674,188.60</u>
Uses of Funds	
Deposit to Defeasance Escrow Account	\$122,918,985.78
Costs of Issuance ⁽¹⁾	1,247,950.13
State Bond Issuance Charge	771,146.97
Underwriters' Discount	736,105.72
Total Uses	<u>\$125,674,188.60</u>

⁽¹⁾ Includes bond insurance and debt service reserve fund surety bond premium

PART 8 - THE AUTHORITY

Background Purposes and Powers

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

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

facilities and to make them available to the Department of Mental Hygiene, to provide for construction and modernization of municipal hospitals, to provide health facilities for municipalities, to provide health facilities for voluntary non-profit corporations, to make its services available to the State Department of Correctional Services, to make its services available to municipalities to provide for the design and construction of local correctional facilities, to provide services for the design and construction of municipal buildings, and to make loans to certain voluntary agencies with respect to mental hygiene facilities owned or leased by such agencies.

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

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

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

At March 31, 2007, the Authority had approximately \$33.6 billion aggregate principal amount of bonds and notes outstanding, excluding indebtedness of the Agency assumed by the Authority on September 1, 1995 pursuant to the Consolidation Act. The debt service on each such issue of the Authority's bonds and notes is paid from moneys received by the Authority or the trustee from or on behalf of the entity having facilities financed with the proceeds from such issue or from borrowers in connection with its student loan program.

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

The total amounts of the Authority bonds and notes (excluding debt of the Agency assumed by the Authority on September 1, 1995 pursuant to the Consolidation Act) outstanding at March 31, 2007 were as follows:

Public Programs	Bonds Issued	Bonds Outstanding	Notes Outstanding	Bonds and Notes Outstanding
State University of New York				
Dormitory Facilities.....	\$ 1,975,416,000	\$ 752,200,000	\$ 0	\$ 752,200,000
State University of New York Educational and Athletic Facilities.....	11,351,092,999	4,804,109,869	0	4,804,109,869
Upstate Community Colleges of the State University of New York.....	1,366,010,000	575,980,000	0	575,980,000
Senior Colleges of the City University of New York.....	8,609,563,549	3,146,002,270	0	3,146,002,270
Community Colleges of the City University of New York.....	2,194,081,563	549,157,730	0	549,157,730
BOCES and School Districts.....	1,524,911,208	1,146,575,000	0	1,146,575,000
Judicial Facilities.....	2,161,277,717	745,382,717	0	745,382,717
New York State Departments of Health and Education and Other.....	3,182,915,000	2,001,240,000	0	2,001,240,000
Mental Health Services Facilities.....	5,682,130,000	3,720,620,000	0	3,720,620,000
New York State Taxable Pension Bonds.....	773,475,000	0	0	0
Municipal Health Facilities Improvement Program.....	913,895,000	829,085,000	0	829,085,000
Totals Public Programs.....	\$ 39,734,768,036	\$ 18,270,352,586	\$ 0	\$18,270,352,586
Non-Public Programs	Bonds Issued	Bonds Outstanding	Notes Outstanding	Bonds and Notes Outstanding
Independent Colleges, Universities and Other Institutions.....	\$ 14,187,576,020	\$ 6,764,268,039	\$ 115,998,000	\$ 6,880,266,039
Voluntary Non-Profit Hospitals.....	11,747,969,309	7,328,265,000	0	7,328,265,000
Facilities for the Aged.....	1,960,585,000	1,126,815,000	0	1,126,815,000
Supplemental Higher Education Loan Financing Program.....	95,000,000	0	0	0
Totals Non-Public Programs.....	\$ 27,991,130,329	\$ 15,219,348,039	\$ 115,998,000	\$ 15,335,346,039
Grand Totals Bonds and Notes.....	\$ 67,725,898,365	\$ 33,489,700,625	\$ 115,998,000	\$ 33,605,698,625

Outstanding Indebtedness of the Agency Assumed by the Authority

At March 31, 2007, the Agency had approximately \$632 million aggregate principal amount of bonds outstanding, the obligations as to all of which have been assumed by the Authority. The debt service on each such issue of bonds is paid from moneys received by the Authority (as successor to the Agency) or the trustee from or on behalf of the entity having facilities financed with the proceeds from such issue.

The total amounts of the Agency's bonds (which indebtedness was assumed by the Authority on September 1, 1995) outstanding at March 31, 2007 were as follows:

Public Programs	Bonds Issued	Bonds Outstanding
Mental Health Services Improvement Facilities.....	\$ 3,817,230,725	\$ 0
Non-Public Programs	Bonds Issued	Bonds Outstanding
Hospital and Nursing Home Project Bond Program.....	\$ 226,230,000	\$ 3,930,000
Insured Mortgage Programs.....	6,625,079,927	592,999,927
Revenue Bonds, Secured Loan and Other Programs.....	2,414,240,000	34,635,000
Total Non-Public Programs.....	9,265,549,927	631,564,927
Total MCFFA Outstanding Debt.....	\$ 13,082,780,652	\$ 631,564,927

Governance

The Authority carries out its programs through an eleven-member board, a full-time staff of approximately 660 persons, independent bond counsel and other outside advisors. Board members include the Commissioner of Education of the State, the Commissioner of Health of the State, the State Comptroller or one member appointed by him or her who serves until his or her successor is appointed, the Director of the Budget of the State, one member appointed by the Temporary President of the State

Senate, one member appointed by the Speaker of the State Assembly and five members appointed by the Governor, with the advice and consent of the Senate, for terms of three years. The Commissioner of Education of the State, the Commissioner of Health of the State and the Director of the Budget of the State each may appoint a representative to attend and vote at Authority meetings. The members of the Authority serve without compensation, but are entitled to reimbursement of expenses incurred in the performance of their duties.

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

The current members of the Authority are as follows:

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

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

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

John B. Johnson, Jr. was appointed as a Member of the Authority by the Governor on April 26, 2004. Mr. Johnson is Chairman of the Board and Chief Executive Officer of the Johnson Newspaper Corporation, which publishes the Watertown Daily Times, Batavia Daily News, Malone Telegram, Catskill Daily Mail, Hudson Register Star, Ogdensburg Journal, Massena-Potsdam Courier Observer, seven weekly newspapers and three shopping newspapers. He is director of the New York Newspapers Foundation, a member of the Development Authority of the North Country and the Fort Drum Regional Liaison Committee, a trustee of Clarkson University and president of the Bugbee Housing Development Corporation. Mr. Johnson has been a member of the American Society of Newspaper Editors since 1978, and was a Pulitzer Prize juror in 1978, 1979, 2001 and 2002. He holds a Bachelor's degree from Vanderbilt University, and Master's degrees in Journalism and Business Administration from the Columbia University Graduate School of Journalism and Business. Mr. Johnson was awarded an Honorary Doctor of Science degree from Clarkson University. Mr. Johnson's term expired on March 31, 2007 and by law he continues to serve until a successor shall be chosen and qualified.

JOSE ALBERTO CORVALAN, M.D., *Secretary*, Armonk.

Dr. Corvalan was appointed as a Member of the Authority by the Governor on June 22, 2005. Dr. Corvalan is Chief of Laparoscopic Surgery at St. Vincent's Midtown Hospital in Manhattan. Dr.

Corvalan is a Diplomate, American Board of Surgery, and is a Fellow of the American College of Surgeons and the New York Academy of Medicine. Dr. Corvalan has held a number of teaching positions and is Associate Professor of Surgery at New York Medical College, Valhalla, New York. His current term expires on March 31, 2008.

BRIAN RUDER, Scarsdale.

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

ANTHONY B. MARTINO, CPA, Buffalo.

Mr. Martino was appointed as a Member of the Authority by the Governor on April 26, 2004. A certified public accountant with more than 37 years of experience, Mr. Martino is a retired partner of the Buffalo CPA firm Lumsden & McCormick, LLP. He began his career at Price Waterhouse where he worked in the firm's Buffalo and Washington, DC, offices. He is a member of the Board of Directors of Natural Health Trends Inc., a public company, where he chairs the Audit Committee. Mr. Martino is a member of the American Institute of CPAs and the New York State Society of CPAs. Long involved in community organizations, he serves on the boards of the Buffalo Niagara Medical Campus as Vice Chairman, Mount Calvary Cemetery as Chair of the Investment Committee, Cradle Beach Camp of which he is a former Chair, the Kelly for Kids Foundation and Key Bank. Mr. Martino received a Bachelor of Science degree in accounting from the University at Buffalo. Mr. Martino's current term expires on August 31, 2007.

SANDRA M. SHAPARD, Delmar.

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

ROMAN B. HEDGES, Delmar.

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

KEVIN R. CARLISLE, Averill Park.

Mr. Carlisle was appointed as a Member of the Authority by the Temporary President of the Senate on January 29, 2007. After a career in public housing and business consulting, Mr. Carlisle retired in 2003 as Assistant Commissioner of the state Division of Housing and Community Renewal ("DHCR") and Vice President of the New York State Housing Trust Fund Corporation. He was responsible for capital development programs which financed approximately 4,000 units annually, with a total development cost of \$500 million. He conceived the state's Homes for Working Families Program, which received the 1999 Award for Program Excellence from the National Council of State Housing Finance Agencies. Similarly, Mr. Carlisle implemented the Rural Leveraging Partnership Program, which was cited as a national model by U.S. Rural Housing Services. He also served at DHCR as Director of Underwriting, Deputy Director of the Office of Rural Development, and designed the housing strategy that met the state's off-site commitment to induce the U.S. Army's 10th Mountain Division to locate at Fort Drum. Before he joined DHCR in 1982, Mr. Carlisle was a partner in Barrett Carlisle & Co., a real estate development and consulting firm, and served the City of Troy and the City of Cohoes in economic planning and real estate project management. Mr. Carlisle earned both a Bachelor's degree in Economics and a Master's degree in Urban and Environmental Studies from Rensselaer Polytechnic Institute.

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

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

PAUL E. FRANCIS, *Budget Director for the State of New York*, Westchester County; *ex-officio*.

Mr. Francis was appointed Director of the Budget on January 1, 2007. As Director of the Budget, Mr. Francis heads the New York State Division of the Budget and serves as the chief fiscal policy advisor to the Governor. Mr. Francis is responsible for the overall development and management of the State's fiscal policy, including overseeing the preparation of budget recommendations for all State agencies and programs, economic and revenue forecasting, tax policy, fiscal planning, capital financing and management of the State's debt portfolio, as well as pensions and employee benefits. Mr. Francis also currently serves as a Senior Advisor to the Governor. Prior to his appointment to Director of the Budget

and Senior Advisor to the Governor, Mr. Francis served as policy director for Governor Spitzer's gubernatorial campaign and transition team. His private sector experience includes managing partner of the Cedar Street Group, a venture capital firm he founded in 2001; chief financial officer for Priceline.com from its formation in 1997 to 2000; chief financial officer for Ann Taylor stores from 1993 to 1997; and managing director at Merrill Lynch & Co., where he worked from 1986 to 1993. Mr. Francis is a graduate of Yale College and New York University Law School.

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

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

The principal staff of the Authority is as follows:

DAVID D. BROWN, IV is the Executive Director and chief administrative and operating officer of the Authority. Mr. Brown is responsible for the overall management of the Authority's administration and operations. He previously served as Chief of the Investment Protection Bureau in the Office of the New York State Attorney General, supervising investigations of the mutual fund and insurance industries. From 2000 to 2003, Mr. Brown served as Vice President and Associate General Counsel at Goldman, Sachs & Co., specializing in litigation involving equities, asset management and brokerage businesses. Prior to that, he held the position of Managing Director at Deutsche Bank, where he served as the senior U.S. Litigation Attorney, managing major litigations and customer disputes. From 1994 to 1998, Mr. Brown was Managing Director and Counsel and senior litigation attorney for Bankers Trust Corporation. He holds a Bachelor's degree from Harvard College and a Juris Doctor degree from Harvard Law School.

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

CHERYL ISHMAEL is the Managing Director of Public Finance. She conducts and coordinates financial feasibility studies for certain institutions and coordinates the production of disclosure documents for the sale of Authority obligations. Ms. Ishmael has worked in finance in both the public and private sectors, as a Managing Director of public finance at two investment banking firms. She served as Deputy Budget Director of the New York City Office of Management and Budget and as Director of Fiscal Studies for the State Senate Finance Committee. She also served as an Adjunct Professor at Columbia University. She holds a Bachelor's degree in Political Science and Journalism from Syracuse University and a Master's degree in Public Administration from the State University of New York at Albany, Graduate School of Public Affairs.

LORA K. LEFEBVRE is the Managing Director of Portfolio Management. She is responsible for the supervision and direction of the Authority's health care monitoring and higher education monitoring groups. Prior to joining the Authority in 1995, Ms. Lefebvre worked for the New York State Division of Budget for nine years in a number of different capacities, working in subject areas that included the State University of New York, school aid and public authority oversight. She holds a Bachelor of Arts in Political Science from Alfred University and a Master's degree in Public Administration from the State University of New York at Albany.

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

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

JAMES M. GRAY, R.A., is the Managing Director of Construction. In that capacity, he is responsible for the Authority's construction groups, including design, project management, purchasing, contract administration, interior design, and engineering and other technology services. He has been with the Authority since 1986, and has held increasingly responsible positions within the Office of Construction, including Director of the State University of New York (SUNY) and Independent Institutions Construction Program. He began his public service career in 1977 in the New York State Office of General Services. He has been a registered architect in New York since 1983. Mr. Gray holds a Bachelor's degree in architecture from the New York Institute of Technology.

Claims and Litigation

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

Other Matters

New York State Public Authorities Control Board

The New York State Public Authorities Control Board (the "PACB") has authority to approve the financing and construction of any new or reactivated projects proposed by the Authority and certain other public authorities of the State. The PACB approves the proposed new projects only upon its determination that there are commitments of funds sufficient to finance the acquisition and construction of the projects. The Authority has obtained the approval of the PACB for the issuance of the Series 2007 Bonds.

Legislation

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

Environmental Quality Review

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

Independent Auditors

The accounting firm of KPMG LLP audited the financial statements of the Authority for the fiscal year ended March 31, 2006. Copies of the most recent audited financial statements are available upon request at the offices of the Authority.

PART 9 - LEGALITY OF THE 2007 BONDS FOR INVESTMENT AND DEPOSIT

Under New York State law, the 2007 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 2007 Bonds may be deposited with the State Comptroller to secure deposits of State moneys in banks, trust companies and industrial banks.

PART 10 - NEGOTIABLE INSTRUMENTS

The 2007 Bonds shall be negotiable instruments as provided in the Act, subject to the provisions for registration and transfer contained in the Resolution and in the 2007 Bonds.

PART 11 - TAX MATTERS

Opinion of Bond Counsel to the Authority

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Authority, under existing statutes and court decisions, (i) interest on the 2007 Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, and (ii) interest on the 2007 Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering its opinion, Bond Counsel to the Authority has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority,

the Institution and others, in connection with the 2007 Bonds, and Bond Counsel to the Authority has assumed compliance by the Authority and the Institution with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the 2007 Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the Authority, under existing statutes, interest on the 2007 Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

Bond Counsel expresses no opinion regarding any other federal or state tax consequences with respect to the 2007 Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the 2007 Bonds, or under state and local tax law.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the 2007 Bonds in order that interest on the 2007 Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the 2007 Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the 2007 Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Authority and the Institution have covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the 2007 Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the 2007 Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a 2007 Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the 2007 Bonds.

Prospective owners of the 2007 Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the 2007 Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Bond Premium

In general, if an owner acquires a 2007 Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the 2007 Bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that Bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such Bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Information Reporting and Backup Withholding

Information reporting requirements will apply to interest paid after March 31, 2007 on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification", or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding", which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

Legislation

Legislation affecting municipal bonds is regularly under consideration by the United States Congress. There can be no assurance that legislation enacted or proposed after the date of issuance of the 2007 Bonds will not have an adverse effect on the tax-exempt status or market price of the 2007 Bonds.

PART 12 - CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission ("Rule 15c2-12"), the Institution and FIT have undertaken in a written agreement for the benefit of the 2007 Bondholders to provide to Digital Assurance Certification LLC ("DAC"), on behalf of the Authority as the Authority's disclosure dissemination agent, on or before 120 days after the end of each of its fiscal years, commencing with the fiscal year of the Institution and FIT ending June 30, 2007, for filing by DAC with each Nationally Recognized Municipal Securities Information Repository (each a "Repository"), and if and when one is established, the New York State Information Depository (the "State Information Depository"), on an annual basis, operating data and financial information of the type hereinafter described (the "Annual Information"), together with the financial statements for the Institution and FIT prepared in accordance with generally accepted accounting principles and audited by an independent firm of certified public accountants in accordance with generally accepted auditing standards; provided, however, that if audited financial statements are not then available, unaudited financial statements shall be delivered to DAC for delivery to each Repository and to the State Information Depository when they become available.

If, and only if, and to the extent that it receives the Annual Information and annual financial statements described above from the Institution and FIT, DAC has undertaken in the Continuing Disclosure Agreement, on behalf of and as agent for the Institution and FIT Authority, to file such information and financial statements, as promptly as practicable, but no later than three Business Days after receipt of the information by DAC from the Institution and FIT, with each such Repository and the State Information Depository. In addition, the Authority has undertaken, for the benefit of the Bondholders, to provide to DAC, in a timely manner, the notices required to be provided by Rule 15c2-12 described below (the "Notices"). Upon receipt of Notices from the Authority, DAC will file the Notices with each such Repository or the Municipal Securities Rulemaking Board (the "MSRB"), and with the State Information Depository, in a timely manner. With respect to the 2007 Bonds, DAC has only the duties specifically set forth in the Continuing Disclosure Agreement. DAC's obligation to deliver the information at the times and with the contents described in the Continuing Disclosure Agreement is limited to the extent the Institution and FIT have provided such information to DAC as required by the Continuing Disclosure Agreement. DAC has no duty with respect to the content of any disclosure or Notices made pursuant to the terms of the Continuing Disclosure Agreement and DAC has no duty or obligation to review or verify any information contained in the Annual Information, audited financial statements, Notices or any other information, disclosures or notices provided to it by the Institution, FIT or the Authority and shall not be deemed to be acting in any fiduciary capacity for the Authority, the Institution or FIT, the Holders of the 2007 Bonds or any other party. DAC has no responsibility for the Authority's failure to provide to DAC a Notice required by the Continuing Disclosure Agreement or duty to determine the materiality thereof. DAC shall have no duty to determine, or liability for failing to determine, whether the Institution, FIT or the Authority has complied with the Continuing Disclosure Agreement, and DAC may conclusively rely upon certifications of the Institution, FIT and the Authority with respect to their respective obligations under the Continuing Disclosure Agreement.

The Annual Information provided by FIT will consist of the following: (a) operating data and financial information of the type included in this Official Statement in "PART 5 – FASHION INSTITUTE OF TECHNOLOGY" under the headings "Operating Information" and "Annual Financial Statement Information," including information relating to: (1) *student admissions*, similar to that set forth under the heading, "ENTERING ASSOCIATE DEGREE STUDENTS"; (2) *student enrollment*, similar to that set forth under the heading, "ENROLLMENT SUMMARY"; (3) *tuition and other student charges*, similar to that set forth under the heading, "TUITION AND OTHER STUDENT CHARGES"; (4) *financial aid*, similar to that set forth under the heading, "SOURCES OF UNDERGRADUATE SCHOLARSHIP AND GRANT AID"; (5) *faculty*, similar to that set forth under the heading,

"FACULTY PROFILE"; (6) *employee relations*, including material information about union contracts and, unless such information is included in the audited financial statements of FIT, retirement plans; (7) *endowment and similar funds*, unless such information is included in the audited financial statements of FIT; (8) *plant values*, unless such information is included in the audited financial statements of FIT; and (9) *outstanding indebtedness*, unless such information is included in the audited financial statements of FIT; together with (b) a narrative explanation, if necessary to avoid misunderstanding and to assist the reader in understanding the presentation of financial and operating data concerning FIT and in judging the financial and operating condition of FIT.

The Annual Information to be provided by the Institution will consist of the operating data and financial information of the type included in this Official Statement in "PART 4 – FIT STUDENT HOUSING CORPORATION," unless such information is included in the audited financial statements of the Institution.

The Notices include notices of any of the following events with respect to the 2007 Bonds, if material: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the 2007 Bonds; (7) modifications to the rights of holders of the 2007 Bonds; (8) bond calls (other than pursuant to mandatory sinking fund redemption requirements); (9) defeasances; (10) release, substitution, or sale of property securing repayment of the 2007 Bonds; and (11) rating changes. In addition, DAC will undertake, for the benefit of the Holders of the 2007 Bonds, to provide to each Repository or the MSRB and to the State Information Depository, in a timely manner, notice of any failure by the College to provide the Annual Information and audited financial statements by the date required in the College's undertaking described above.

The sole and exclusive remedy for breach or default under the agreement to provide continuing disclosure described above is an action to compel specific performance of the undertaking of DAC, the Institution, FIT and/or the Authority, and no person, including any Holder of the 2007 Bonds, may recover monetary damages thereunder under any circumstances. A breach or default under the agreement shall not constitute an Event of Default under the Resolution, the 2007 Resolution or the Lease Agreement. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the agreement, insofar as the provisions of Rule 15c2-12 no longer in effect required the providing of such information, shall no longer be required to be provided.

The foregoing undertaking is intended to set forth a general description of the type of financial information and operating data that will be provided; the description is not intended to state more than general categories of financial information and operating data; and where an undertaking calls for information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect will be provided. As a result, the parties to the agreement do not anticipate that it often will be necessary to amend the informational undertaking. The agreement, however, may be amended or modified without Bondholders consent under certain circumstances set forth therein. Copies of the agreement when executed by the parties thereto upon the delivery of the 2007 Bonds will be on file at the principal office of the Authority.

PART 13 - STATE NOT LIABLE ON THE 2007 BONDS

The Act provides that notes and bonds of the Authority shall not be a debt of the State nor shall the State be liable thereon, nor shall such notes or bonds be payable out of any funds other than those of

the Authority. The Resolution specifically provides that the 2007 Bonds shall not be a debt of the State nor shall the State be liable thereon.

PART 14 - COVENANT BY THE STATE

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

PART 15 - LEGAL MATTERS

Certain legal matters incidental to the authorization and issuance of the 2007 Bonds by the Authority are subject to the approval of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Authority, whose approving opinion will be delivered with the 2007 Bonds. The proposed form of Bond Counsel's opinion is set forth in Appendix F hereto.

Certain legal matters will be passed upon for the Underwriters by their Counsel, Clifford Chance US LLP, New York, New York.

There is not now pending any litigation restraining or enjoining the issuance or delivery of the 2007 Bonds or questioning or affecting the validity of the 2007 Bonds or the proceedings and authority under which they are to be issued.

PART 16 - UNDERWRITING

The Underwriters have jointly and severally agreed, subject to certain conditions, to purchase the 2007 Bonds from the Authority at an aggregate purchase price, exclusive of accrued interest, of \$124,938,082.88 and to make a public offering of such 2007 Bonds at prices that are not in excess of the public offering prices stated on the inside cover page of this Official Statement plus accrued interest. The Underwriters will be obligated to purchase all the 2007 Bonds if any are purchased.

The 2007 Bonds may be offered and sold to certain dealers (including the Underwriters) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriters.

PART 17 - VERIFICATION OF MATHEMATICAL COMPUTATIONS

Causey Demgen & Moore, Inc. a firm of independent public accountants, will deliver to the Authority its report indicating that it has examined, in accordance with standards established by the American Institute of Certified Public Accountants, the information and assertions provided by the

Authority and its representatives. Included in the scope of its examination will be a verification of the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash, the maturing principal amounts and the interest on the Defeasance Securities deposited with the Prior Trustee and the Trustee, respectively, to pay the principal, interest and redemption price coming due on the Refunded Bonds on and prior to their respective maturity or redemption dates as described in "PART 6 – PLAN OF REFUNDING" and (b) the mathematical computations supporting the conclusion of Bond Counsel that the 2007 Bonds are not "arbitrage bonds" under the Code and the applicable income tax regulations. Causey Demgen & Moore, Inc. will express no opinion on the reasonableness of the assumptions provided to it, the likelihood that the principal of and interest on the 2007 Bonds will be paid as described in the schedules provided to it, or the exclusion of the interest on the 2007 Bonds from gross income for federal income tax purposes.

PART 18 - MISCELLANEOUS

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

The agreements of the Authority with Holders of the 2007 Bonds are fully set forth in the Resolution. Neither any advertisement of the 2007 Bonds nor this Official Statement is to be construed as a contract with purchasers of the 2007 Bonds.

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

The information regarding the Institution and FIT was supplied by the Institution and FIT, respectively. The information regarding the Project and Estimated Sources and Uses of Funds was supplied by the Institution. The Authority believes that this information is reliable, but the Authority and the Underwriters make no representations or warranties whatsoever as to the accuracy or completeness of this information.

The information regarding the Insurer and the specimen bond insurance policy in Appendix G has been furnished by the Insurer. No representation is made herein by the Authority, the Institution, FIT or the Underwriters as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof. Neither the Authority, the Institution, FIT nor the Underwriters has made any independent investigation of the Insurer or the Policy.

"Appendix A - Certain Definitions," "Appendix C - Summary of Certain Provisions of the Lease Agreement," "Appendix D - Summary of Certain Provisions of the Operating Agreement," "Appendix E - Summary of Certain Provisions of the Resolution" and "Appendix F - Form of Approving Opinion of Bond Counsel," have been prepared by Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Authority.

"Appendix B - FIT Student Housing Corporation Financial Statements for the Year Ended June 30, 2006 and Fashion Institute of Technology Financial Statements for the Year Ended June 30, 2006 contains the audited financial statements of the Institution and FIT and the reports of their independent accountants, UHY LLP, Certified Public Accountants, on such financial statements.

The Institution and FIT reviewed the parts of this Official Statement describing the Institution and FIT, respectively, and the portions of Appendix B containing the financial statements of the Institution and FIT, respectively. The Institution also reviewed the parts of this Official Statement describing the Source of Payment and Security for the 2007 Bonds, the 2007 Bonds and the Estimated Sources and Uses of Funds. It is a condition to the sale and the delivery of the 2007 Bonds that each of the Institution and FIT, respectively, certify that, as of each such date, the parts of this Official Statement reviewed by the Institution and FIT, respectively, 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. Neither the Institution nor FIT make any representation as to the accuracy or completeness of any other information included in this Official Statement.

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

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

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

By: /s/ David D. Brown IV
Authorized Officer

CERTAIN DEFINITIONS

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CERTAIN DEFINITIONS

In addition to other terms defined in this Official Statement, when used in certain summaries of the Bond Resolution (referred to in this Appendix A as the “Resolution”), the following terms have the meaning ascribed to them below:

“*Act*” means the Dormitory Authority Act, being and constituting Title 4 of Article 8 of the Public Authorities Law, as amended;

“*Agreement*” means the Amended and Restated Lease and Agreement, dated as of April 25, 2007, by and between the Authority and the Corporation in connection with the issuance of Bonds, as the same shall have been amended, supplemented or otherwise modified as permitted by the Resolution and by the Agreement;

“*Agreement of Lease*” means the Amended and Restated Agreement of Lease, dated as of April 25, 2007, by and between the Authority and the Corporation in connection with the issuance of Bonds, as the same shall have been amended, supplemented or otherwise modified as permitted by the Resolution and by the Agreement of Lease;

“*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 in the Bond Series Certificate relating to such Bond 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 shall hereafter succeed to the rights, powers, duties and functions of the Authority;

“*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 Corporation, any officer of the Corporation, 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 Corporation, or designated in writing by an officer of the Corporation to act on such officer's behalf, to perform such act or execute such document; and (iii) in the case of the Trustee, any officer of the Trustee with direct responsibility for the administration of the Resolution and also means any other person authorized to perform any act or sign any document by or pursuant to a resolution of the Board of Directors of the Trustee or the by-laws of the Trustee;

"Bond" or *"Bonds"* means any of the bonds of the Authority authorized and issued pursuant to 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 bonds;

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

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

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

"Book Entry Bond" means a Bond authorized to be issued to, and issued to and registered in the name of, a Depository for the participants in such Depository;

"Building and Equipment Reserve Fund" means the fund so designated, created and established pursuant to the Resolution;

"Building and Equipment Reserve Fund Requirement" means, as of any particular date of computation, the amount set forth in Series Resolutions or a Bond Series Certificate relating to a Series Resolution for such date of computation, as the same may be reduced in accordance with a Supplemental Resolution; *provided, however*, that such amount shall be reduced by the total of any amounts withdrawn from the Building and Equipment Reserve Fund and increased by the amount of each such withdrawal then required pursuant to the Agreement to have been repaid;

"Business Day" means any day which is not a Saturday, Sunday or a day on which the Trustee or banking institutions chartered by the State or the United States of America are legally authorized to close in The City of New York; provided that, with respect to Option Bonds or Variable Interest Rate Bonds of a Series, such term means any day which is not a Saturday, Sunday 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 a 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, as amended, and the applicable regulations thereunder)

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

“*Corporation*” means the FIT Student Housing Corporation, a not-for-profit corporation within the meaning of Section 501(c)(3) of the Code, formed and developed to finance housing for students of FIT;

“*Cost of Issuance*” or “*Costs of Issuance*” means the items of expense incurred in connection with the authorization, sale and issuance of the Bonds, which items of expense shall include, but not be limited to, document printing and reproduction costs, filing and recording fees, costs of credit ratings, initial fees and charges of the Trustee or a Depository, legal fees and charges, professional consultants’ fees, fees and charges for execution, transportation and safekeeping of Bonds, premiums, fees and charges for insurance on Bonds, commitment fees or similar charges relating to a 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 those of the Authority, in connection with the foregoing;

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

“*Credit Facility*” means any irrevocable letter of credit, surety bond, loan agreement, Standby Purchase 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 is entitled to obtain moneys to pay the principal, purchase price or Redemption Price

of 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 with the Resolution and with the Series Resolution authorizing such Bonds or a Bond Series Certificate, whether or not the Authority is in default under the Resolution;

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

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

“*Debt Service Reserve Fund Requirement*” means, as of any particular date of computation, an amount equal to the lesser of (x) the greatest amount required in the then current of any future calendar year to pay the sum of (i) interest on Outstanding Bonds payable during such year, excluding interest accrued thereon prior to July 1 of the next preceding year, and (ii) the principal and the Sinking Fund Installments of Outstanding Bonds payable on or prior to July 1 of such year, (y) ten percent (10%) of the net proceeds of the sale of the Bonds and (z) 125% of average annual debt service on the Bonds, except that if such amount would require a deposit of moneys therein, in an amount in excess of the maximum amount permitted under the Code to be deposited therein from the proceeds of the Bonds, the Debt Service Reserve Fund Requirement shall mean an amount equal to the maximum amount permitted under the Code to be deposited therein from the proceeds of the Bonds, as certified by an Authorized Officer of the Authority;

“*Defeasance Security*” means any of the following:

(a) a Government Obligation of the type described in clauses (i), (ii), (iii) or (iv) of the definition of Government Obligations; (b) a Federal Agency Obligation described in clauses (i) or (ii) of the definition of Federal Agency Obligations; and (c) an Exempt Obligation, provided such Exempt Obligation (i) is not subject to redemption prior to maturity other than at the option of the holder thereof or as to which irrevocable instructions have been given to the trustee of such Exempt Obligation by the obligor thereof to give due notice of redemption and to call such Exempt Obligation for redemption on the date or dates specified in such instructions and such Exempt Obligation is not otherwise subject to redemption prior to such specified date other than at the option of the holder thereof, (ii) is secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or Government Obligations, which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such Exempt Obligation on the maturity date thereof or the redemption date specified in the irrevocable instructions referred to in clause (i) above, (iii) as to which the principal of and interest on the Government Obligations which have been deposited in such fund, along with any cash on deposit in such fund, are sufficient to pay the principal of and interest and redemption premium, if any, on such Exempt Obligation on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in clause (i) above, and (iv) is rated, without regard to qualification by symbols such as “+” or “-” or numerical notation, by at least two nationally recognized statistical rating services in the highest rating; provided, however, that (1) such term shall not include any interest in a unit investment trust or mutual fund or (2) any obligation that is subject to redemption prior to maturity other than at the option of the holder thereof;

“*Deferred Income Bond*” means any Bond as to which interest accruing thereon prior to the Interest Commencement Date of such Bond is compounded on each Valuation Date for such Deferred Income Bond, and as to which interest accruing after the Interest Commencement Date is payable semi-annually on July 1 and January 1 of 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 any of the following:

(i) an obligation of any state or territory of the United States of America, any political subdivision of any state or territory of the United States of America, or any agency, authority, public benefit corporation or instrumentality of such state, territory or political subdivision, the interest on which is excludable from gross income under Section 103 of the Code, which is not a “specified private activity bond” within the meaning of Section 57(a)(5) of the Code and which, at the time an investment therein is made or such obligation is deposited in any fund or account under the Resolution, is rated, without regard to qualification by symbols such as “+” or “ ” or numerical notation, by at least two nationally recognized statistical rating services not lower than the second highest rating category for such obligation; (ii) a certificate or other instrument which evidences the beneficial ownership of or the right to receive all or a portion of the payment of principal of or interest on any of the foregoing; and (iii) a share or interest in a mutual fund, partnership or other fund wholly comprised of any of the foregoing obligations;

“Facility Provider” means the issuer of a Credit Facility, a Liquidity Facility or a Reserve Fund Facility provided pursuant to the Resolution;

“Federal Agency Obligation” means any of the following:

(i) an obligation issued by any federal agency or instrumentality approved by the Authority; (ii) an obligation the principal of and interest on which are fully insured or guaranteed as to payment by a federal agency approved by the Authority; (iii) a certificate or other instrument which evidences the beneficial ownership of, or the right to receive all or a portion of the payment of the principal of or interest on any of the foregoing; and (iv) a share or interest in a mutual fund, partnership or other fund wholly comprised of any of the foregoing obligations;

“FIT” means the Fashion Institute of Technology, a community college of the State University of New York, organized and existing under and pursuant to the Education Law of the State;

“Government Obligation” means (i) a direct obligation of the United States of America; (ii) an obligation the principal of and interest on which are fully insured or guaranteed as to payment of principal and interest by the United States of America; (iii) an obligation to which the full faith and credit of the United States of America are pledged; (iv) a certificate or other instrument which evidences the beneficial ownership of, or the right to receive all or a portion of the payment of the principal of or interest on any of the foregoing; and (v) a share or interest in a mutual fund, partnership or other fund wholly comprised of any of the foregoing obligations;

“Gross Proceeds” means, with respect to any Series of Bonds, the gross proceeds of such Bonds, as such term is defined or used in the Code as it applies to such Bonds;

“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 in the Bond Series Certificate relating to such Bond, after which interest accruing on such Bond shall be payable on the interest payment date immediately succeeding such Interest Commencement Date and semi-annually thereafter on July 1 and January 1 of each Bond Year;

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

“*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 Bonds tendered for purchase or redemption in accordance with the terms of the Resolution and of the Series Resolution authorizing such Bonds or a Bond Series Certificate;

“*Maximum Annual Debt Service*” means on any date the greatest amount required in the then current or any future Bond Year to pay the sum of: (i) interest on such Bonds payable on January 1 of such Bond Year and on July 1 of the next succeeding Bond Year, and (ii) the principal and the Sinking Fund Installments of such Bonds payable on July 1 of the next succeeding Bond Year;

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

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

“*Mortgage*” means a mortgage granted by the Corporation to the Authority, in form and substance satisfactory to an Authorized Officer of the Authority, on the Mortgaged Property, as security for the performance of the Corporation’s obligations under the Agreement, as such Mortgage may be amended or modified from time to time with the consent of the Authority;

“*Mortgaged Property*” means the land described in a Mortgage and the buildings and improvements thereon and the fixtures therein, or the interest of the Corporation therein, as from time to time amended, supplemented or otherwise modified;

“*Operating Agreement*” means the Amended and Restated Operating Agreement executed by and between the Corporation and FIT, dated as of April 25, 2007, as the same shall be amended, supplemented, or otherwise modified as permitted by the Resolution and by the Operating Agreement;

“*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 canceled by the Trustee at or before such date; (ii) any Bond deemed to have been paid in accordance with the Resolution; (iii) any Bond in lieu of or in substitution for which another Bond shall have been authenticated and delivered pursuant to the Resolution; and (iv) Option Bonds tendered or deemed tendered in accordance with the provisions of the Series Resolution authorizing such Bonds 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 Bonds;

“*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;

“*Permitted Collateral*” means (i) Government Obligations described in clauses (i), (ii) or (iii) of the definition of Government Obligations; (ii) Federal Agency Obligations described in clauses (i) or (ii) of the definition of Federal Agency Obligations; (iii) commercial paper that (a) matures within two hundred seventy (270) days after its date of issuance, (b) is rated in the highest short term rating category by at least one nationally recognized statistical rating service and (c) is issued by a domestic corporation whose unsecured senior debt is rated, without regard to qualification by symbols such as “+” or “-” or numerical notation, by at least one nationally recognized statistical rating service not lower than in the second highest rating category; and (iv) financial guaranty agreements, surety or other similar bonds or other instruments of an insurance company that has an equity capital of at least \$125,000,000 and is rated, without regard to qualification by symbols such as “+” or “-” or numerical notation, by Bests Insurance Guide or a nationally recognized statistical rating service in the highest rating category;

“*Permitted Investments*” means (i) Government Obligations; (ii) Federal Agency Obligations; (iii) Exempt Obligations; (iv) Uncollateralized certificates of deposit that are fully insured by the Federal Deposit Insurance Corporation and issued by a banking organization authorized to do business in the State; (v) collateralized certificates of deposit that are (a) issued by a banking organization authorized to do business in the State that has an equity capital of not less than \$125,000,000, whose unsecured senior debt, or debt obligations fully secured by a letter of credit, contract, agreement or surety bond issued by it, are rated, without regard to qualification by symbols such as “+” or “-” or numerical notation, by at least one nationally recognized statistical rating service not lower than in the second highest rating category, and (b) are fully collateralized by Permitted Collateral; (vi) commercial paper that (a) matures within two hundred seventy (270) days after its date of issuance, (b) is rated in the highest short term rating category by at least one nationally recognized statistical rating service and (c) is issued by a domestic corporation whose unsecured senior debt is rated, without regard to qualification by symbols such as “+” or “-” or numerical notation, by at least one nationally recognized statistical rating service not lower than in the second highest rating category; and (vii) Investment Agreements that are fully collateralized by Permitted Collateral;

“*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 in a Series Resolution authorizing the issuance of Bonds in connection with such Project;

“Qualified Financial Institution” means any of the following entities that has an equity capital of at least \$125,000,000 or whose obligations are unconditionally guaranteed by an affiliate or parent having an equity capital of at least \$125,000,000: (i) a securities dealer, the liquidation of which is subject to the Securities Investors Protection Corporation or other similar corporation, and (a) that is on the Federal Reserve Bank New York list of primary government securities dealers and (b) whose senior unsecured long term debt is at the time an investment with it is made is rated, without regard to qualification by symbols such as “+” or “-” or numerical notation, by at least one nationally recognized statistical rating service not lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated, without regard to qualification by symbols such as “+” or “-” or numerical notation, by at least one nationally recognized statistical rating service not lower than in the highest rating category; provided, however, that no short term rating may be utilized to determine whether an entity qualifies under this paragraph as a Qualified Financial Institution if the same would be inconsistent with the rating criteria of any Rating Service; (ii) a bank, a trust company, a national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, an insurance company or association chartered or organized under the laws of the United States of America, any state of the United States of America or any foreign nation, whose senior unsecured long term debt is at the time an investment with it is made is rated, without regard to qualification by symbols such as “+” or “-” or numerical notation, by at least one nationally recognized statistical rating service not lower than in the highest rating category; provided, however, that no short term rating may be utilized to determine whether an entity qualifies under this paragraph as a Qualified Financial Institution if the same would be inconsistent with the rating criteria of any Rating Service; (iii) a corporation affiliated with or which is a subsidiary of any entity described in (i) or (ii) above or which is affiliated with or a subsidiary of a corporation which controls or wholly owns any such entity, whose senior unsecured long term debt is at the time an investment with it is made is rated, without regard to qualification by symbols such as “+” or “-” or numerical notation, by at least one nationally recognized statistical rating service not lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated, without regard to qualification by symbols such as “+” or “-” or numerical notation, by at least one nationally recognized statistical rating service not lower than in the highest rating category; provided, however, that no short term rating may be utilized to determine whether an entity qualifies under this paragraph as a Qualified Financial Institution if the same would be inconsistent with the rating criteria of any Rating Service; (iv) the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, or any other federal agency or instrumentality approved by the Authority; or (v) a corporation whose obligations, including any investments of any moneys held under the Resolution purchased from such corporation, are insured by an insurer that meet the applicable rating requirements set forth above;

“Rating Service” means on any date each of Moody’s and S&P that then has at the request of the Authority assigned a rating to Outstanding Bonds;

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

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

“Reserve Fund Facility” means a surety bond, insurance policy or letter of credit which constitutes any part of the Debt Service Reserve Fund Requirement authorized to be delivered to the Trustee pursuant to the Resolution;

“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;

“Resolution” means the Authority’s FIT Student Housing Corporation Revenue Bond Resolution, dated April 24, 2004, as from time to time amended or supplemented by Supplemental Resolutions or Series Resolutions in accordance with the terms and provisions of the Resolution;

“Revenues” means all payments received or receivable by the Authority pursuant to the 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 Ratings Services, a Division of The McGraw Hill Companies, a corporation organized and existing under the laws of the State of New York, or 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 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 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 to the Resolution and to the Series Resolution authorizing such Bonds as a separate Series of Bonds, 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 Resolution;

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

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

“*Standby Purchase Agreement*” means an agreement by and between the Authority and another person pursuant to which such person is obligated to purchase an Option Bond or a Variable Interest Rate Bond tendered for purchase;

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

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

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

“*Term Bond*” 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 in the Resolution, and its successor or successors and any other bank or trust company which may at any time be substituted in its place pursuant to the Resolution;

“*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 in the Bond Series Certificate relating to such Bond 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 and the Interest Commencement Date set forth in the Series Resolution authorizing such Bond or in the Bond Series Certificate relating to such Bond on which specific Appreciated Values are assigned to such Deferred Income Bond;

“*Variable Interest Rate*” means 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 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; and

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**FIT STUDENT HOUSING CORPORATION
FINANCIAL STATEMENTS FOR THE YEAR ENDED
JUNE 30, 2006
AND FASHION INSTITUTE OF TECHNOLOGY
FINANCIAL STATEMENTS FOR THE
YEAR ENDED JUNE 30, 2006**

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**FIT STUDENT HOUSING
CORPORATION**

(A Component Unit of the
Fashion Institute of Technology)

AUDITED FINANCIAL STATEMENTS

Year Ended June 30, 2006

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FIT STUDENT HOUSING CORPORATION

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of
FIT Student Housing Corporation

We have audited the accompanying statement of net assets of FIT Student Housing Corporation (the "Corporation") as of June 30, 2006, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of June 30, 2006, and the revenues, expenses and changes in net assets, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 2-4 is not a required part of the basic financial statements, but is supplementary information required by Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

UHY LLP

New York, New York
October 18, 2006

FIT STUDENT HOUSING CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Years Ended June 30, 2006 and 2005

Using this Annual Report

The financial report of FIT Student Housing Corporation ("STHC") includes three basic financial statements: the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets ("SRECNA"); and the Statement of Cash Flows. These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by Government Accounting Standards Board ("GASB"). STHC has adopted GASB standards because it is included in the Fashion Institute of Technology's financial statements as a business type activity. GASB establishes standards for external financial reporting for public colleges and universities, as well as their auxiliary corporations and enterprises.

Statement of Net Assets

The statement of net assets presents the financial position of STHC at the end of the fiscal year and includes all assets, liabilities and net assets (the difference between total assets and total liabilities). Total net assets provide one indicator of the financial condition of STHC, while the change in net assets indicates whether the overall financial condition has improved or worsened during the year.

The assets of STHC are classified as either current or noncurrent. STHC's current assets include unrestricted cash, receivables within a year; and other short-term assets, such as prepaid expenses and security deposits. Noncurrent assets include restricted investments and deposits held by the bond trustee; unamortized bond costs; and property, plant and equipment, net of accumulated depreciation.

The Corporations' current liabilities include all accounts payable and accrued expenses payable within the next fiscal year, including any long-term debt principal payable during the next year, as well as deferred revenues, principally from summer rentals. Noncurrent liabilities are those that are due to be paid beyond the next fiscal year, including accrued vacation/sick leave and long-term debt.

STHC's net assets consist of three major categories:

- Net investment in plant, which is total plant, property and equipment, less accumulated depreciation, less outstanding debt.
- Spendable restricted assets, which is comprised of the unspent bond proceeds held in the construction fund (capital projects) and debt service and capitalized interest funds (debt service).
- Unrestricted net assets, including all student rental and meal charges, other rental, commission and miscellaneous revenues, and interest income, less operating expenses.

FIT STUDENT HOUSING CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
Years Ended June 30, 2006 and 2005

A summary comparison of STHC's assets, liabilities and net assets at June 30, 2006 and June 30, 2005 is presented below.

	<u>2006</u>	<u>2005</u>	<u>Change</u>
ASSETS			
Current Assets	\$ 100,718	\$ 22,169	\$ 78,549
Noncurrent Assets	<u>164,024,923</u>	<u>161,702,132</u>	<u>2,322,791</u>
Total Assets	<u>\$ 164,125,641</u>	<u>\$ 161,724,301</u>	<u>\$ 2,401,340</u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Current liabilities	\$ 4,851,952	\$ 3,828,096	\$ 1,023,856
Noncurrent liabilities	<u>147,934,989</u>	<u>148,176,035</u>	<u>(241,046)</u>
Total liabilities	<u>152,786,941</u>	<u>152,004,131</u>	<u>782,810</u>
NET ASSETS			
Net invested in plant	7,100,514	(74,730,467)	81,830,981
Unrestricted	(1,621,236)	(1,967,967)	346,731
Restricted	<u>5,859,422</u>	<u>86,418,604</u>	<u>(80,559,182)</u>
Total net assets	<u>11,338,700</u>	<u>9,720,170</u>	<u>1,618,530</u>
Total Liabilities and Net Assets	<u>\$ 164,125,641</u>	<u>\$ 161,724,301</u>	<u>\$ 2,401,340</u>

The \$2.3 million increase in non-current assets represents loans made by the College to the Corporation to pay for additional construction costs of the 31st Street dormitory. The increase in current liabilities results from the reclassification of an earlier loan from the College to the Corporation from the non-current to current liabilities. The increase in net investment of plant and similar decrease in restricted net assets are the result of spending of DASNY bond proceeds for construction of the new dormitory.

Statement of Revenues, Expenses and Changes in Net Assets ("SRECNA")

The SRECNA presents the revenues earned and the expenses incurred during the year. Activities are classified as either operating or nonoperating. Revenues received and expenses incurred as a result of providing goods and services to students and building operations and maintenance are considered operating. Nonoperating activities include public appropriations, gifts, investment income, capital expenditures and debt expense.

FIT STUDENT HOUSING CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
Years Ended June 30, 2006 and 2005

A summary comparison of STHC's revenues, expenditures and changes in net assets for the years ending June 30, 2006 and June 30, 2005 is presented below.

	<u>2006</u>	<u>2005</u>	<u>Change</u>
OPERATING REVENUES (EXPENSES)			
Operating revenues	\$ 6,975,177	\$ 5,895,328	\$ 1,079,849
Operating expenses	<u>(5,647,133)</u>	<u>(4,918,591)</u>	<u>(728,542)</u>
Net Operating Revenue	<u>1,328,044</u>	<u>976,737</u>	<u>351,307</u>
NONOPERATING REVENUES (EXPENSES)			
Educational Foundation gift	250,000	250,000	-
Investment income	218,643	65,063	153,580
Debt interest expense	<u>(178,157)</u>	<u>(276,226)</u>	<u>98,069</u>
Net Nonoperating Revenue	290,486	38,837	251,649
CHANGE IN NET ASSETS	1,618,530	1,015,574	<u>\$ 602,956</u>
NET ASSETS - Beginning of year	<u>9,720,170</u>	<u>8,704,596</u>	
NET ASSETS - End of year	<u>\$ 11,338,700</u>	<u>\$ 9,720,170</u>	

Operating revenues increased by \$1,079,849, due to increases in rates for room rates and meal plans, while operating expenses increased by \$728,542, resulting in net operating surplus (before interest income and debt expense) of \$1,328,044, as compared to \$976,736 in fiscal 2005. After adding back in depreciation expenses, STHC had an operating surplus of \$2,230,242 in fiscal 2006.

31st STREET DORMITORY

In June 2004, STHC negotiated and purchased a building (along with the land) at Ninth Avenue and West 31st Street, several blocks from the College's main campus. Proceeds from a DASNY bond issue of \$144,545,000 were used to finance the purchase of building and land (approximately \$48,518,000) and the renovation costs. See Note 5 for a description of the debt service arrangements and costs.

Through June 30, 2006, over \$68,912,000 has been spent on renovation expenses and equipment purchases. In order to cover higher than projected renovation costs, during fiscal 2006 the Corporation transferred \$5,400,000 to DASNY, of which \$2,900,000 was loaned to the Corporation by the College (See Note 9).

The new dormitory (which, with 1,100 beds, doubles the College's on-campus housing capacity) successfully opened in August 2006.

FINANCIAL STATEMENTS

FIT STUDENT HOUSING CORPORATION
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2006

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 6,493
Accounts receivable	21,308
Prepaid expenses and deposits	<u>72,917</u>
Total current assets	<u>100,718</u>

NONCURRENT ASSETS:

Investments held by DASNY bond trustee - at market value (Note 3)	30,124,056
Unamortized bond cost - net (Note 2)	4,033,689
Property, plant, and equipment - net (Note 4)	<u>129,867,178</u>
Total noncurrent Assets	<u>164,024,923</u>

TOTAL ASSETS

\$ 164,125,641

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 611,719
Due to pooled cash (Note 2)	954,683
Deferred revenue	108,926
Loan payable college (Note 9)	2,191,480
Bonds payable (Note 5)	<u>985,144</u>
Total current liabilities	<u>4,851,952</u>

NONCURRENT LIABILITIES

Accounts payable and accrued expenses	46,625
Loan payable college (Note 9)	2,924,463
Bonds payable (Note 5)	<u>144,963,901</u>
Total noncurrent liabilities	<u>147,934,989</u>

TOTAL LIABILITIES

152,786,941

NET ASSETS

Net investment in plant	<u>7,100,514</u>
Unrestricted	<u>(1,621,236)</u>
Restricted:	
Debt service	<u>5,859,422</u>
Total Restricted Net Assets	<u>5,859,422</u>
TOTAL NET ASSETS	<u>11,338,700</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 164,125,641

FIT STUDENT HOUSING CORPORATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2006

OPERATING REVENUES

Student rentals and fees	\$ 5,627,252
Meal plan income	1,120,437
Other rentals	122,343
Commission income and other	<u>105,145</u>
Total operating revenues	<u>6,975,177</u>

OPERATING EXPENSES

Meal contracts	1,116,958
Building operations	1,740,016
Resident life office	997,408
Institutional support	710,513
Telecommunication services	180,040
Depreciation (Note 4)	<u>902,198</u>
Total operating expense	<u>5,647,133</u>

TOTAL NET OPERATING INCOME 1,328,044

NONOPERATING INCOME (EXPENSES)

Educational foundation gift	250,000
Investment income (Note 3)	218,643
Debt interest expense	(142,206)
Debt related amortization	<u>(35,951)</u>
NET NONOPERATING INCOME	<u>290,486</u>

INCREASE IN NET ASSETS 1,618,530

NET ASSETS, Beginning of year as previously reported 3,945,698

Adjustment to Property, Plant and Equipment (Note 2) 5,774,472

NET ASSETS, Beginning of year, as restated 9,720,170

NET ASSETS, End of year \$ 11,338,700

FIT STUDENT HOUSING CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2006

CASH PROVIDED BY OPERATING ACTIVITIES

Transfers from College	\$ 583,661
Salaries (net)	<u>(578,661)</u>
Net from operating activities	<u>5,000</u>

CASH PROVIDED BY FINANCING ACTIVITIES

Loans from College	5,400,000
Transfer of DASNY refund to the College	(731,262)
Purchase of DASNY investments	(96,938,487)
Sales of DASNY investments	147,253,009
Paid for construction	(47,190,909)
Bond issuance costs	(346,348)
Debt service payments	(1,934,050)
Capitalized interest expense	<u>(7,310,120)</u>
Net from financing activities	<u>(1,798,167)</u>

CASH FLOW FROM INVESTING ACTIVITIES

Interest Income	21,003
Capitalized interest income	<u>1,777,164</u>
Net from investing activities	<u>1,798,167</u>

INCREASE IN CASH AND CASH EQUIVALENT

5,000

CASH AND CASH EQUIVALENT - Beginning of year

1,493

CASH AND CASH EQUIVALENT - End of year

\$ 6,493

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Net Operating income	\$ 1,328,044
Depreciation	902,198
Changes in assets and liabilities:	
Receivables	(2,972)
Prepaid expenses and deposits	(70,577)
Due to pooled cash	(5,277,615)
Accrued expenses	187,292
College loans payable	2,900,000
Deferred revenue	<u>38,630</u>

NET CASH FROM OPERATING ACTIVITIES

\$ 5,000

See notes to financial statements.

FIT STUDENT HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

FIT Student Housing Corporation (the "Corporation") is a not-for-profit corporation formed by the Fashion Institute of Technology ("FIT" or the "College") to own and operate certain dormitories for FIT. The Corporation owns Nagler Hall, a 10-story building built in 1960, and Alumni Hall, an 18-story building that commenced operations in August 1988. In early June 2004, the Corporation purchased a fifteen story building at Ninth Avenue and 31st Street, several blocks from the College campus, to be converted into a 1100-bed dormitory, which would almost double the College's total dormitory capacity. The purchase and renovation was financed by \$144,545,000 of insured revenue bonds issued in 2004 by the Dormitory Authority of New York State ("DASNY"). The College's board of trustees also serves as the board of directors for the Corporation. The board of directors establishes the room and board rates.

The Corporation is related to the College, FIT. Staff Housing Co., Inc. ("Staff Housing"), the FIT. Student Association (the "Association") and the FIT Student Faculty Corporation ("Student Faculty") through either common board membership or management control. The accompanying financial statements do not include financial information about these affiliated entities. The Corporation, as well as the entities mentioned above (except for Student Association) have been included in the financial statements of the College as a business type activity in accordance with GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The Corporation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of the New York State income tax laws.

NOTE 2 - BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Basis of Presentation

The Corporation's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by Governmental Accounting Standards Board ("GASB"). In addition, the Corporation follows the pronouncements of all applicable Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

The financial statements have been prepared using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Cash and Cash Equivalents

The Corporation considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents. Cash is held in demand accounts.

FIT STUDENT HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 2 - BASIS OF PRESENTATION AND ACCOUNTING POLICIES (Continued)

Pooled Cash

Commencing July 1, 2002, the College implemented a pooled cash model for handling the cash management of the College and its auxiliary corporations (Staff Housing, Student Housing, Student Association and Student Faculty). Under the pooled cash model all cash receipts and payments are centralized in the College's operating bank accounts; cash in excess of immediate needs are maintained as pooled short term investments in the College's name. The College's accounting system continually tracks each corporation's "claim on cash" as an automatic offset to each accounting transaction. At fiscal year end the Corporation's "claim on cash" is listed as an asset if it is positive or as a liability if it is negative.

Allocated Interest Income

On a monthly basis interest income earned on the College's pooled short-term investments is allocated to all corporations based on their average daily claim on cash balance during the month.

Investments

Investments are carried at quoted market value in the accompanying financial statements.

Property, Plant, and Equipment

Property, plant and equipment are carried at cost for those assets purchased by the Corporation. Depreciation is calculated using the straight-line method over the following useful lives:

	<u>Years</u>
Buildings	37
Building improvements	7-32
Furniture and equipment	5-15

Costs incurred for repairs and maintenance are charged to expense as incurred.

Revenue Recognition

Revenue is recognized in the semesters in which services are rendered. Rental income is also derived from students occupying the premises during the winter and summer recesses and from groups who rent rooms primarily during the summer. Deferred revenue arises from billings to students for the late summer session fees collected prior to the Corporation's year-end of June 30. The Corporation has historically recorded rental income for resident assistants who are provided with single rooms as part of their compensation. The Corporation has recorded rental income of \$164,464 for the year ended June 30, 2006. An equivalent amount has been recorded as Resident Life Office expense.

FIT STUDENT HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 2 - BASIS OF PRESENTATION AND ACCOUNTING POLICIES (Continued)

Bond Issuance Costs

Such costs consist of legal, underwriting and other fees for services rendered in connection with the issuance of the bonds payable. These costs are amortized over the term of the debt using the straight-line method.

Restatement of Prior Year's Balances

Per GASB standards, the bond interest and amortization expenses related to the Corporation's DASNY 2004 bond (See Notes 3 and 5), net of related investment income, should have been capitalized as construction-in-progress in fiscal 2004 and 2005, rather than expensed, which would have increased property/plant/equipment and net assets-investment in plant by \$5,774,472 as of June 30, 2005, as detailed below:

	<u>2004</u>	<u>2005</u>	<u>Total</u>
Expenses			
Bond interest	\$ 446,730	\$ 7,310,120	\$ 7,756,850
Amortize bond premium	-	(50,114)	(50,114)
Amortize bond costs	-	132,117	132,117
Total	<u>446,730</u>	<u>7,392,123</u>	<u>7,838,853</u>
Less Income			
Interest income	143,518	2,412,773	2,556,291
Realized gains	<u>(139)</u>	<u>(491,771)</u>	<u>(491,910)</u>
Total	<u>143,379</u>	<u>1,921,002</u>	<u>2,064,381</u>
Net expenses to capitalize	<u>\$ 303,351</u>	<u>\$ 5,471,121</u>	<u>\$ 5,774,472</u>

The total of \$5,774,472 appears in the SRECNA as an adjustment of beginning net assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

FIT STUDENT HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 3 - INVESTMENTS HELD BY BOND TRUSTEE (At Market Value)

Fund	<u>Cash</u>	<u>Securities</u>	<u>Interest</u>	<u>Total</u>
Construction fund	\$ 1,500,594	\$ 26,513,368	\$ 284,361	\$ 28,298,323
Debt service reserve fund	20,000	-	-	20,000
Capitalized interest fund	800	1,694,873	5,723	1,701,396
Cost of issuance fund	156	103,967	214	104,337
	<u>\$ 1,521,550</u>	<u>\$ 28,312,208</u>	<u>\$ 290,298</u>	<u>\$ 30,124,056</u>

The investments are in U.S Treasury securities with maturity dates ranging from August 2005 to November 30, 2007, and interest rates ranging from 1.625% to 5.75%.

The Corporation's investment income is comprised of the following for the year ended June 30, 2006:

	<u>DASNY 1995</u> <u>Investments</u>	<u>DASNY 2004</u> <u>Investments</u>	<u>Total</u>
DASNY investment income			
Interest Income	\$ 13,752	\$ 1,701,835	\$ 1,715,587
Gains:			
Realized	27,527	311,722	339,249
Unrealized	3,840	158,776	162,616
Total gains	45,119	2,172,333	2,217,452
Less capitalized interest expenses	-	(2,013,557)	(2,013,557)
Net DASNY Investment income-net	<u>\$ 45,119</u>	<u>\$ 158,776</u>	<u>\$ 203,895</u>
Allocated interest income			<u>\$ 14,748</u>
Total investment income			<u>\$ 218,643</u>

FIT STUDENT HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 4 - PROPERTY, PLANT, AND EQUIPMENT - NET

The following tables present the changes in the various capital asset categories for the year ended June 30, 2006:

	Balance June 30, 2005	Additions	Balance June 30, 2006
Nagler Hall:			
Land	\$ 41,850	\$ -	\$ 41,850
Buildings	1,828,861	-	1,828,861
Building improvements	2,292,236	28,857	2,321,093
Furniture/fixtures	978,112	-	978,112
Total cost basis	5,141,059	28,857	5,169,916
Depreciation	(3,829,628)	(249,470)	(4,079,098)
Net asset	<u>\$ 1,311,431</u>	<u>\$ (220,613)</u>	<u>\$ 1,090,818</u>
Alumni Hall:			
Land	\$ 41,850	\$ -	\$ 41,850
Buildings	18,940,880	-	18,940,880
Improvements	1,306,582	32,797	1,339,379
Furniture/fixtures	887,251	38,980	926,231
Total cost basis	21,176,563	71,777	21,248,340
Depreciation	(9,791,789)	(652,728)	(10,444,517)
Net asset	<u>\$ 11,384,774</u>	<u>\$ (580,951)</u>	<u>\$ 10,803,823</u>
406 West 31st Street:			
Land	\$ 12,000,000	\$ -	\$ 12,000,000
Buildings	37,060,605	-	37,060,605
Construction in progress	13,526,717	55,153,383	68,680,100
Furniture/fixtures	-	231,832	231,832
Total cost basis	62,587,322	55,385,215	117,972,537
Net asset	<u>\$ 62,587,322</u>	<u>\$ 55,385,215</u>	<u>\$ 117,972,537</u>
Total:			
Land	\$ 12,083,700	\$ -	\$ 12,083,700
Buildings	57,830,346	-	57,830,346
Building improvements	3,598,818	61,654	3,660,472
Furniture/fixtures	1,865,363	270,812	2,136,175
Construction in progress	13,526,717	55,153,383	68,680,100
Total cost basis	88,904,944	55,485,849	144,390,793
Depreciation	(13,621,417)	(902,198)	(14,523,615)
Net asset	<u>\$ 75,283,527</u>	<u>\$ 54,583,651</u>	<u>\$ 129,867,178</u>

FIT STUDENT HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 5 - INSURED REVENUE BOND

The Corporation has one outstanding insured revenue bond issue from the Dormitory Authority of the State of New York ("DASNY").

DASNY is a public benefit corporation of New York State, created for the purpose of financing and constructing a variety of public purpose facilities for certain educational and not-for-profit institutions. The bonds are special obligations of DASNY and are payable from a pledge of the proceeds of the bonds and payments to be made under an agreement between DASNY and the Corporation. The agreement is a general obligation of the Corporation and requires payments in December and June of the amounts of interest coming due the succeeding January and July 1, plus one-half of the amount of the principal coming due on the bonds the next succeeding July 1. In addition, the Corporation is obligated to pay certain fees and expenses of DASNY and the trustee.

The obligations for both bond issues are being funded primarily by a pledge of revenue consisting of room rents. In order to ensure that the Corporation will meet its obligations under the agreement, the Corporation subleases the property to FIT. The sublease, which is a general obligation of FIT, remains in force until the bonds and all required payments have been satisfied. FIT is obligated to pay, or provide for payment to the Corporation, the amounts the Corporation is required to make pursuant to the agreement. FIT will receive a credit against this amount for rents and room charges received. The bonds are secured by the pledges, revenues and FIT sublease as previously discussed, as well as the mortgaged properties and security interests in the fixtures and equipment.

DASNY Series 1995

In September 1995, DASNY issued FIT Student Housing Corporation Insured Revenue Bonds (1995 issue) in the principal amount of \$15,800,000. The bonds were sold on October 19, 1995. The proceeds of the bonds were \$16,080,644 and were used primarily to retire bonds, which had been previously issued by DASNY in 1986.

The outstanding principle total of \$1,880,000 was repaid in January 2006 using the unexpended proceeds in the Debt Service Reserve Fund and Building and Equipment Reserve Fund. Interest expense for the year was \$54,050.

FIT STUDENT HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 5 - INSURED REVENUE BOND (Continued)

DASNY Series 2004

In June 2004, DASNY issued FIT Student Housing Corporation Insured Revenue Bonds (2004 issue) in the principle amount of \$144,545,000. The bonds were sold on June 9, 2004. The proceeds of the bonds were \$146,049,334 and were disbursed as follows:

Underwriter's fee	\$ 692,301
Bond insurance	<u>1,016,501</u>
Deposits with trustee:	
Construction fund	116,303,297
Cost of issuance cost	2,154,139
Debt service reserve fund	9,895,670
Capitalized interest fund	<u>15,987,426</u>
	<u>144,340,532</u>
 Total proceeds	 <u>\$ 146,049,334</u>

Interest rates on the bonds range from 4.0% to 5.25%. Interest only is payable through fiscal year 2008 from the Capitalized Interest Fund; the first principal payment is due July 1, 2007. The bonds maturing prior to July 1, 2015 are not subject to option redemption prior to maturity. The bonds maturing on and after July 1, 2015 are subject to redemption prior to maturity at the option of DASNY.

The following represents bond maturities and required payments as of June 30, 2006:

Year ended June 30,	Principal			Interest Expense	Total
	Cash	Premium	Total		
2007	\$ 935,000	\$ 50,144	\$ 985,144	\$ 7,310,120	\$ 8,295,264
2008	2,620,000	50,144	2,670,144	7,272,720	9,942,864
2009	2,725,000	50,144	2,775,144	7,167,920	9,943,064
2010	2,860,000	50,144	2,910,144	7,031,670	9,941,814
2011	3,005,000	50,144	3,055,144	6,888,670	9,943,814
2012-2016	17,465,000	250,723	17,715,723	32,006,300	49,722,023
2019-2021	22,505,000	250,723	22,755,723	26,962,300	49,718,023
2022-2026	28,765,000	250,723	29,015,723	20,701,913	49,717,636
2027-2031	36,790,000	250,723	37,040,723	12,674,619	49,715,342
2032-2034	26,875,000	150,433	27,025,433	2,800,556	29,825,989
	<u>\$ 144,545,000</u>	<u>\$ 1,404,045</u>	<u>\$ 145,949,045</u>	<u>\$ 130,816,788</u>	<u>\$ 276,765,833</u>

FIT STUDENT HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 5 - INSURED REVENUE BOND (Continued)

Under the initial terms of the agreement a Debt Service Reserve Fund was established, into which \$9,895,670 was deposited. During fiscal 2006, in order to cover higher than estimated renovation expenses for the 31st Street dormitory, DASNY secured on behalf of the Corporation the approval of the bond insurer to allow the funds in the Debt Service Reserve Fund to be transferred to the Construction Fund. A total of \$9,698,945 was transferred, and additional bond insurance worth \$346,348, was purchased. In addition, at the request of DASNY, the Corporation transferred to DASNY a total \$5,400,000 during fiscal 2006 to cover additional construction and renovation costs (see Note 9).

NOTE 6 - PLEDGE FROM EDUCATIONAL FOUNDATION

As part of the 1995 DASNY Bond issue, the Educational Foundation for the Fashion Industries, Inc. (the "Foundation") pledged to pay \$250,000 annually to the Corporation through June 2006, which the Corporation recognized as non-operating grant income in 2006. The final payments of the pledge were received in 2006.

NOTE 7 - PENSION EXPENSE

The Corporation's full-time employees are part of the Teachers Insurance and Annuity Association College Retirement Equities Fund. Pension expense for the year ended June 30, 2006 was \$30,603.

NOTE 8 - TRANSACTIONS WITH AFFILIATES

The College leases garage space, the College president's residence facility, and meeting rooms from the Corporation's Alumni Hall. The rent received from the lease amounted to \$101,316 for the year ended June 30, 2006. Such amount is included in other rentals in the accompanying financial statements.

The College charged the Corporation \$119,268 as a management fee for billing, collection, purchasing, disbursements, accounting, and recordkeeping assistance provided during fiscal 2006.

The full-time employees of the Office of Resident Life live in rooms in the Coed Dormitory, owned by Staff Housing. The rental expense for these employees is split between Staff Housing and Student Housing, and the offsetting rental income is recognized by Staff Housing. In fiscal 2006 the Corporation paid \$88,192 to Staff Housing for its share of staff rental expense.

NOTE 9 - LOANS FROM THE COLLEGE

In fiscal 2002, the Board of FIT approved a loan of \$2,000,000 to the Corporation to help pay for capital improvements in Nagler and Alumni Halls, including elevator rehabilitation and installation of a sprinkler system. At June 30, 2006 accrued interest on the loan (calculated based on average investment earnings foregone by FIT over the term of the loan) was \$191,480. Since the loan plus accrued interest

FIT STUDENT HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 9 - LOANS FROM THE COLLEGE (Continued)

is scheduled to be repaid during fiscal 2007, the principle plus accrued interest (\$2,191,480) is included in the Corporation's current liabilities.

In January 2006 the Board of FIT approved a loan up to \$3,400,000 to the Corporation to cover additional renovation and construction expenses relating to the 31st Street dormitory. The loan has been conditioned on a promise of the Corporation to repay principle plus interest over fifteen years beginning 2010. As of June 30, 2006, a total of \$2,900,000 has been loaned to the Corporation and paid to DASNY (See Note 5). The loan principle plus accrued interest of \$24,463 is included in the Corporation's non-current liabilities.

**FASHION INSTITUTE OF
TECHNOLOGY**

AUDITED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

Year Ended June 30, 2006

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FASHION INSTITUTE OF TECHNOLOGY

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REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees of
Fashion Institute of Technology:

We have audited the accompanying statements of net assets of the Fashion Institute of Technology and its component units ("FIT") as of June 30, 2006, and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the FIT's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fashion Institute of Technology and its component units as of June 30, 2006, and the changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements of Fashion Institute of Technology, taken as a whole. The accompanying supplemental schedules of reconciliation of the College's revenues, expenses and other changes to audited financial statements, state operating aid and reconciliation of net operating costs to annual report on pages 31 to 33 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

UHY LLP

New York, New York
October 18, 2006

FASHION INSTITUTE OF TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)
For the Years Ended June 30, 2006 and 2005

INTRODUCTION

The following discussion and analysis of the financial performance and activity of the Fashion Institute of Technology ("FIT" or the "College") is intended to provide an introduction to, and understanding of, the financial statements for the year ended June 30, 2006 with selected comparative information for the year ended June 30, 2005. This section has been prepared by the management of the College and should be read in conjunction with the financial statements and notes thereto, which follow this section.

The financial statements include three basic financial statements, prepared in accordance with Government Accounting Standards Board ("GASB") principles.

- Statement of net assets
- Statement of revenues, expenses, and changes in net assets ("SRECNA")
- Statement of cash flows

HIGHLIGHTS REGARDING THE FINANCIAL STATEMENTS

- Assets, liabilities, revenues and expenses are now consolidated for all fund groups. Assets and liabilities are categorized as either current or noncurrent; revenues and expenses are categorized as either operating or nonoperating. GASB 35 requires that public appropriations, gifts and investment income be presented as nonoperating revenue. As a result, public institutions will normally show an operating deficit.
- Student tuition and fee revenue is now shown net of scholarship expense (\$9,992,068), employee tuition benefit expense (\$572,880) and bad debt expense (\$134,746), with the appropriate functional expenses reduced by the same amounts. Stipends and other direct payments to students are presented as student aid expense. In 2005, the student tuition and fee revenue was reduced by \$10,201,195 for scholarship expense, \$517,482 for employee tuition benefit expense, and \$264,529 for bad debt expense.
- Prior to 2002, the costs of acquiring capital assets, such as land, buildings and equipment, were included as expenditures of the appropriate functional area and fund group, while depreciation expense was not calculated. In the following SRECNA, capital expenditures are not presented as expenditures, and depreciation expense is presented as an operating expense. The following compares capital expenditures and depreciation expense for fiscal 2006 and 2005.

	June 30, 2006	June 30, 2005
	<u> </u>	<u> </u>
Paid from operational funds:		
Construction	\$ -	\$ 130,712
Building improvements	586,235	217,162
Equipment	1,810,499	2,097,346
Library materials	222,174	259,312
	<u>2,618,908</u>	<u>2,704,532</u>
 Paid from DASNY bond proceeds:		
Construction	<u>805,257</u>	<u>3,497,860</u>
Total	<u>\$ 3,424,165</u>	<u>\$ 6,202,392</u>
 Depreciation expense	<u>\$ 5,416,786</u>	<u>\$ 5,265,340</u>

FASHION INSTITUTE OF TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)
For the Years Ended June 30, 2006 and 2005

HIGHLIGHTS REGARDING THE FINANCIAL STATEMENTS (Continued)

- With the completion of the East and West Courtyard additions in summer 2004, approximately \$20 million of construction-in-progress was reclassified as buildings and equipment.
- Principal payments on FIT's long-term debt are not presented in the following SRECNA. In 2006 total debt payments on Dormitory Authority of the State of New York ("DASNY") bonds included \$425,000 principal repayments and interest expense of \$912,000; in 2005, the corresponding amounts were \$540,000 in principal repayments and \$925,000 in interest expense. All principal and interest repayments were funded entirely by New York State and New York City appropriations.
- The financial activities and balances of the FIT Student Association ("FITSA"), which uses dedicated student fees and earned revenues to provide student life programming (including student clubs and special events), recreation and athletics programs, and student health services, are included in the totals of the primary institution in the following financial statements. Unspent revenues at year end are treated as spendable restricted net assets. For the year ended June 30, 2006 the totals were: \$853,399 in student activity fees, \$29,002 in athletics and recreation fees, and \$1,500,865 in health service fees. Prior to implementation of the new GASB regulations, FITSA's financial activities were not included in the College's financial statements.

STATEMENT OF NET ASSETS

The statement of net assets presents the financial position of FIT at the end of the fiscal year and includes all assets, liabilities, and net assets (the difference between total assets and total liabilities). As previously mentioned, assets and liabilities are divided into current and noncurrent.

Current assets include: unrestricted cash and cash equivalents; investments that mature within a year; receivables and pledges due within a year; inventories; and other short-term assets, such as prepaid expenses and security deposits. Noncurrent assets include: unrestricted investments that mature in more than a year; restricted cash, cash equivalents and investments; property, plant, and equipment, net of accumulated depreciation; and, receivables and pledges deemed to be collectable in more than a year.

Current liabilities include: all liabilities that are payable within the next fiscal year, as well as deferred revenues, principally from summer programs, and student credit balances. Noncurrent liabilities are those that are due to be paid beyond the next fiscal year, including accrued vacation/sick leave and long-term debt.

Net assets consist of three categories:

- Net investment in capital assets, which gives the institution's equity in property, plant and equipment, net of accumulated depreciation and outstanding debt.
- Restricted net assets are divided into two groups: nonexpendable and expendable. Nonexpendable net assets are typically endowment type funds, which must be invested in perpetuity with only the earnings to be used as specified by the donor. Expendable restricted net assets are available for expenditure for purposes as specified by the providers of the funds, including all government and private grants.

FASHION INSTITUTE OF TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)
For the Years Ended June 30, 2006 and 2005

STATEMENT OF NET ASSETS (Continued)

- Unrestricted net assets include tuition and student fees, appropriations, interest and miscellaneous earned income, which are available to the institution for any lawful purpose, less expenses.

The following table presents a summary comparison of FIT's assets, liabilities and net assets at June 30, 2006 and 2005: (\$000's)

	<u>2006</u>	<u>2005</u>	<u>Change</u>
ASSETS			
Current assets	\$ 57,000	\$ 66,808	\$ (9,808)
Noncurrent assets	58,055	52,070	5,985
Total assets	<u>\$ 115,055</u>	<u>\$ 118,878</u>	<u>\$ (3,823)</u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Current liabilities	\$ 18,929	\$ 22,781	\$ (3,852)
Noncurrent liabilities	28,440	27,817	623
Total liabilities	<u>47,369</u>	<u>50,598</u>	<u>(3,229)</u>
NET ASSETS			
Invested in capital assets - net	\$ 22,199	\$ 23,779	\$ (1,580)
Restricted—expendable	12,641	13,360	(719)
Unrestricted	32,846	31,141	1,705
Total net assets	<u>67,686</u>	<u>68,280</u>	<u>(594)</u>
Total	<u>\$ 115,055</u>	<u>\$ 118,878</u>	<u>\$ (3,823)</u>

FASHION INSTITUTE OF TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)
For the Years Ended June 30, 2006 and 2005

STATEMENT OF NET ASSETS (Continued)

Unrestricted net assets increased by \$1.7 million (see discussion of Revenues, Expenses and Changes in Net Assets). Expendable restricted net assets decreased by \$719,000, largely the result of continued expending of DASNY funds for capital construction.

Current assets decreased by \$9.8 million and noncurrent assets increased by \$6 million, primarily due to an increase in the time horizon of the College's unrestricted investments: in 2006 unrestricted investments included \$31.5 million in short-term and \$9 million in long-term, in 2005 all of the College's investments (\$43 million) were classified as short-term. In addition, in fiscal 2006 cash increased (from \$6 million to \$10 million) and appropriations receivable decreased (from \$13 million to \$8.5 million), due to earlier payments of New York City's annual appropriation.

The \$3.9 million decrease in the College's current liabilities is primarily due to the payment of previously accrued collective bargaining increases for the College's union employees during fiscal 2006.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES AND CHANGES IN NET ASSETS ("SRECNA")

The SRECNA presents the revenues earned and the expenses incurred during the year. Activities are classified as either operating or nonoperating. Revenues received and expenses incurred as a result of providing goods and services to the College's students are considered operating. Non-operating revenues include all revenues received for which goods and services are not directly provided, including public appropriations, gifts, investment income, and capital grants and appropriations. Non-operating expenses are primarily related to debt expense and amortization. The recurring operating deficits (\$68.7 million in 2006 and \$68.3 million in 2005) demonstrate the College's dependency on public appropriations.

FASHION INSTITUTE OF TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)
For the Years Ended June 30, 2006 and 2005

STATEMENT OF REVENUES, EXPENSES, AND CHANGES AND CHANGES IN NET ASSETS
(SRECNA") (Continued)

A summary comparison of the College's revenues, expenditures and changes in net assets for the years ended June 30, 2006 and June 30, 2005 is presented below.

	<u>2006</u>	<u>2005</u>	<u>Change</u>
OPERATING REVENUES (EXPENSES)			
Operating revenues	\$ 63,518	\$ 58,697	\$ 4,821
Operating expenses	<u>(132,260)</u>	<u>(126,899)</u>	<u>(5,361)</u>
Operating loss	<u>(68,742)</u>	<u>(68,202)</u>	<u>(540)</u>
NONOPERATING REVENUES (EXPENSES):			
Operating appropriations	\$ 65,794	\$ 64,538	\$ 1,256
Capital appropriations, grants and gifts	1,468	2,050	(582)
Interest income	1,853	1,145	708
Debt expense	<u>(968)</u>	<u>(981)</u>	<u>13</u>
Non operating results	<u>68,147</u>	<u>66,752</u>	<u>1,395</u>
CHANGE IN NET ASSETS	(595)	(1,450)	855
NET ASSETS, Beginning of year	\$ 68,281	\$ 73,499	
Adjustments to beginning net assets	<u>-</u>	<u>(3,768)</u>	
NET ASSETS, End of year	<u>\$ 67,686</u>	<u>\$ 68,281</u>	

Total operating revenues at \$63.5 million increased by \$4.8 million, primarily, from student tuition and fees (\$3.7 million) and miscellaneous and earned income (\$755,000), while total operating expenses at \$132 million increased by \$5.3 million, as a result of increases of \$1 million or more in all expenses categories: salaries, benefits, and other than personnel services. As a result, fiscal 2006 net operating loss was very similar to the 2005 net operating loss: \$68.7 million and \$68.2 million.

Because of increases in appropriations from New York State (\$21.2 million in 2006, compared to \$19.7 million in 2005) and investment income (\$1.8 million in 2006, compared to \$1.1 million in 2005), non-operating results increased by \$1.4 million in fiscal 2006. As a result, total net assets decreased in fiscal 2006 by \$595 thousand compared to a total decrease of \$1.4 million in 2005.

FASHION INSTITUTE OF TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)
For the Years Ended June 30, 2006 and 2005

Economic Outlook

While the college will always face challenges in securing sufficient City and State funds to support ongoing operations, the budget for fiscal year 2007 reflects authorized increases in both City and State revenues. State support is expected to grow by approximately \$1.5 million due to a 7.5% increase in State FTE support i.e. the State will fund \$2,525 per full time equivalent student in FY 2007 as compared to \$2,350 in FY 2006. City funds are expected to increase to support increased salary costs attributable to the new collective bargaining agreement once negotiations are completed. The old agreement expired on May 31, 2005.

FY'07 will be the first year of the college's Strategic Business Plan. Developed over a period of 1 ½ years, the plan is intended to focus college-wide expenditures to achieve mid and long term program goals thereby strengthening the core of both academic affairs and student services. Doing so will enhance the college's competitive recruitment strategies leading to the continuation of stable enrollment patterns.

Interest in the college amongst prospective students remains high. Admission applications continue to outpace capacity.

The college has opened a new 1100 bed residential facility which will enable it to provide safe and affordable housing to students. In so doing, the college's competitive pricing advantage will be enhanced as well.

FINANCIAL STATEMENTS

FASHION INSTITUTE OF TECHNOLOGY
STATEMENT OF NET ASSETS
As of June 30, 2006

	Component Units					TOTAL REPORTING UNIT
	THE COLLEGE	STAFF HOUSING	STUDENT HOUSING	STUDENT FACULTY	EDUCATIONAL FOUNDATION	
ASSETS						
CURRENT ASSETS:						
Cash and cash equivalents (Note 3)	\$ 9,963,563	\$ 350	\$ 6,493	\$ 17,252	\$ 1,328,792	\$ 11,316,450
Share of pooled cash (Note 4)	1,651,872	-	-	20,638	-	1,672,510
Short-term investments (Note 3)	31,500,000	-	-	-	6,064,500	37,564,500
Accounts receivable -students (net of allowance of \$658,096)	873,838	-	-	-	-	873,838
Accounts receivable-other	185,457	11,419	21,308	142,413	67,581	428,178
Loans receivable-current portion (net of allowance of \$79,616)	247,810	-	-	-	-	247,810
Interest receivable	588,210	-	-	-	-	588,210
Appropriations and grants receivable (Note 5)	8,547,063	-	-	-	-	8,547,063
Due from affiliated organizations (Note 6)	2,892,782	-	-	-	-	2,892,782
Prepaid bond expenses	550,135	395	72,917	175	40,000	663,622
Total current assets	<u>57,000,730</u>	<u>12,164</u>	<u>100,718</u>	<u>180,478</u>	<u>7,500,873</u>	<u>64,794,963</u>
NONCURRENT ASSETS:						
Deposits with DASNY (Note 8)	5,088,029	-	30,124,056	-	-	35,212,085
Long-term investments (Note 3)	9,000,000	-	-	-	29,027,340	38,027,340
Loans receivable (net of allowance of \$451,156)	1,404,265	-	-	-	-	1,404,265
Due from affiliated organizations (Note 6)	2,924,463	-	-	-	-	2,924,463
Prepaid expenses and deposits	941,322	-	4,033,689	-	-	4,975,011
Property, plant, and equipment—net (Note 7)	38,696,662	4,063,481	129,867,178	-	-	172,627,321
Total noncurrent assets	<u>58,054,741</u>	<u>4,063,481</u>	<u>164,024,923</u>	<u>-</u>	<u>29,027,340</u>	<u>255,170,485</u>
Total assets	<u>\$ 115,055,471</u>	<u>\$ 4,075,645</u>	<u>\$ 164,125,641</u>	<u>\$ 180,478</u>	<u>\$ 36,528,213</u>	<u>\$ 319,965,448</u>

See notes to financial statements.

FASHION INSTITUTE OF TECHNOLOGY
STATEMENT OF NET ASSETS (Continued)
As of June 30, 2006

	<u>COMPONENT UNITS</u>					<u>TOTAL REPORTING UNIT</u>
	<u>THE COLLEGE</u>	<u>STAFF HOUSING</u>	<u>STUDENT HOUSING</u>	<u>STUDENT FACULTY</u>	<u>EDUCATIONAL FOUNDATION</u>	
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts payable and accrued expenses	\$ 14,978,088	\$ 207,147	\$ 611,719	\$ 69,659	\$ 166,160	\$ 16,032,773
Interest payable	-	18,850	-	-	-	18,850
Due to pooled cash (Note 4)	-	717,827	954,683	-	-	1,672,510
Due to affiliated organizations (Note 6)	-	386,984	2,191,480	-	119,381	2,697,845
Deferred revenue and student credits	3,468,380	34,770	108,926	19,410	-	3,631,486
Bonds and mortgage payable (Note 8)	<u>482,596</u>	<u>130,261</u>	<u>985,144</u>	-	-	<u>1,598,001</u>
Total current liabilities	<u>18,929,064</u>	<u>1,495,839</u>	<u>4,851,952</u>	<u>89,069</u>	<u>285,541</u>	<u>25,651,465</u>
NONCURRENT LIABILITIES						
Accounts payable and accrued expenses	12,425,884	25,106	46,625	20,660	-	12,518,275
Due to affiliated organizations	-	-	2,924,463	-	-	2,924,463
Bonds and mortgage payable (Note 8)	<u>16,014,700</u>	<u>2,787,574</u>	<u>144,963,901</u>	-	-	<u>163,766,175</u>
Total noncurrent liabilities	<u>28,440,584</u>	<u>2,812,680</u>	<u>147,934,989</u>	<u>20,660</u>	<u>-</u>	<u>179,208,913</u>
Total liabilities	<u>47,369,648</u>	<u>4,308,519</u>	<u>152,786,941</u>	<u>109,729</u>	<u>285,541</u>	<u>204,860,378</u>
NET ASSETS						
UNRESTRICTED	<u>32,845,592</u>	<u>(991,536)</u>	<u>(1,621,236)</u>	<u>70,749</u>	<u>3,248,514</u>	<u>33,552,083</u>
INVESTMENT IN CAPITAL ASSETS, Net	<u>22,199,365</u>	<u>758,662</u>	<u>(21,197,809)</u>	-	-	<u>1,760,218</u>
RESTRICTED - EXPENDABLE						
General education	1,779,652	-	-	-	1,526,017	3,305,669
Student association	2,383,266	-	-	-	-	2,383,266
Loan fund	2,087,997	-	-	-	-	2,087,997
Capital projects	4,392,936	-	28,298,323	-	7,230,547	39,921,806
Debt service	1,695,063	-	5,859,422	-	-	7,554,485
Scholarships and financial aid	<u>301,952</u>	-	-	-	<u>169,231</u>	<u>471,183</u>
Total restricted - expendable net assets	<u>12,640,866</u>	<u>-</u>	<u>34,157,745</u>	<u>-</u>	<u>8,925,795</u>	<u>55,724,406</u>
RESTRICTED NONEXPENDABLE						
General education	-	-	-	-	7,880,714	7,880,714
Housing subsidies	-	-	-	-	652,493	652,493
Scholarships and financial aid	-	-	-	-	<u>15,535,156</u>	<u>15,535,156</u>
Total restricted - nonexpendable net assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,068,363</u>	<u>24,068,363</u>
Total net assets	<u>67,685,823</u>	<u>(232,874)</u>	<u>11,338,700</u>	<u>70,749</u>	<u>36,242,672</u>	<u>115,105,070</u>
Total liabilities and net assets	<u>\$ 115,055,471</u>	<u>\$ 4,075,645</u>	<u>\$ 164,125,641</u>	<u>\$ 180,478</u>	<u>\$ 36,528,213</u>	<u>\$ 319,965,448</u>

See notes to financial statements.

FASHION INSTITUTE OF TECHNOLOGY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the year ended June 30, 2006

	Component Units				EDUCATIONAL FOUNDATION	TOTAL REPORTING UNIT
	THE COLLEGE	STAFF HOUSING	STUDENT HOUSING	STUDENT FACULTY		
OPERATING REVENUES						
Tuition and fees	\$ 58,237,715	\$ -	\$ -	\$ -	-	\$ 58,237,715
Scholarships & allowances	(10,629,694)	-	-	-	-	(10,629,694)
Tuition and fees net	47,608,021	-	-	-	-	47,608,021
Housing and meal charges	-	3,475,847	6,747,689	-	-	10,223,536
Student activity and health fees	2,128,887	-	-	-	-	2,128,887
New York State grants	4,633,699	-	-	-	-	4,633,699
Federal grants	5,129,727	-	-	-	-	5,129,727
Local grants	200,000	-	-	-	-	200,000
Educational Foundation Support	1,224,052	-	-	-	-	1,224,052
Student Faculty Support	51,026	-	-	-	-	51,026
Private grants	-	-	-	-	2,463,160	2,463,160
Other earned revenue	2,543,022	233,209	227,488	719,118	129,413	3,852,250
Total operating revenues	63,518,434	3,709,056	6,975,177	719,118	2,592,573	77,514,358
OPERATING EXPENSES						
Functional expense:						
Instructional	54,731,633	-	-	-	-	54,731,633
Public service	335,235	-	-	-	-	335,235
Academic support	15,418,729	-	-	-	-	15,418,729
Student services	10,509,104	-	-	-	-	10,509,104
Institutional support	30,659,145	-	-	-	-	30,659,145
Plant M&O	12,814,118	-	-	-	-	12,814,118
Student aid	283,051	-	-	-	-	283,051
Loan fund expense	25,865	-	-	-	-	25,865
Total functional expense	124,776,880	-	-	-	-	124,776,880
Auxiliary operations:						
Dormitory operations	-	2,926,471	4,744,935	-	-	7,671,406
Student clubs and activities	965,838	-	-	-	-	965,838
Student recreation and athletics	311,534	-	-	-	-	311,534
Student health services	789,008	-	-	-	-	789,008
Student faculty - Administration	-	-	-	377,948	-	377,948
Student faculty - Programs and Support	-	-	-	348,804	-	348,804
Total auxiliary operations	2,066,380	2,926,471	4,744,935	726,752	-	10,464,538
Educational foundation						
Administration	-	-	-	-	1,014,880	1,014,880
Scholarship and financial aid	-	-	-	-	673,513	673,513
College departmental support	-	-	-	-	940,850	940,850
Housing Subsidy	-	-	-	-	14,238	14,238
Total educational foundation	-	-	-	-	2,643,481	2,643,481
Depreciation	5,416,786	522,115	902,198	-	-	6,841,099
Total operating expense	132,260,046	3,448,586	5,647,133	726,752	2,643,481	144,725,998
NET OPERATING (LOSS) INCOME	(68,741,612)	260,470	1,328,044	(7,634)	(50,908)	(67,211,640)

See notes to financial statements.

FASHION INSTITUTE OF TECHNOLOGY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (CON'T)
For the year ended June 30, 2006

	Component Units					TOTAL REPORTING UNIT
	THE COLLEGE	STAFF HOUSING	STUDENT HOUSING	STUDENT FACULTY	EDUCATIONAL FOUNDATION	
NON-OPERATING REVENUES (EXPENSES)						
Operating appropriations:						
New York City (Note 2)	\$ 31,779,479	\$ -	\$ -	\$ -	\$ -	\$ 31,779,479
New York State (Note 2)	21,244,860	-	-	-	-	21,244,860
New York State Chargebacks (Note 2)	12,769,270	-	-	-	-	12,769,270
Total	65,793,609	-	-	-	-	65,793,609
Gifts and fundraising, net	-	-	-	-	1,104,053	1,104,053
Additions to Endowment					1,098,293	1,098,293
Capital appropriations, grants & gifts:						
New York State grants	461,290					461,290
Educational Foundation	14,085		250,000			264,085
New York City grants	511,556					511,556
NYS counties chargebacks	481,430	-				481,430
Total	1,468,361	-	250,000			1,718,361
Interest and investment income	1,853,481	5,251	218,643	690	3,265,359	5,343,424
Debt Expense						
Interest on long-term debt	912,471	233,775	54,050	-		1,200,296
Interest on loans from college	-	11,727	88,156	-		99,883
Amortization of bond issuance costs	56,155	-	35,951	-		92,106
Total	968,626	245,502	178,157			1,392,285
TOTAL NONOPERATING REVENUE (EXPENSES)	68,146,825	(240,251)	290,486	690	5,467,705	73,665,455
NET (DECREASE) INCREASE	(594,787)	20,219	1,618,530	(6,944)	5,416,797	6,453,815
NET ASSETS:						
Beginning of year	68,280,610	(253,092)	3,945,698	77,693	30,825,875	102,876,784
Reclass prior years balance (Note 2)	-	-	5,774,472	-	-	5,774,472
End of year	\$ 67,685,823	\$ (232,873)	\$ 11,338,700	\$ 70,749	\$ 36,242,672	\$ 115,105,071

See notes to financial statements.

FASHION INSTITUTE OF TECHNOLOGY
STATEMENT OF CASH FLOWS
For the year Ended June 30, 2006

	Component Units					TOTAL REPORTING UNIT
	THE COLLEGE	STAFF HOUSING	STUDENT HOUSING	STUDENT FACULTY	EDUCATIONAL FOUNDATION	
CASH FLOWS FROM OPERATING ACTIVITIES						
Paid by students	\$ 59,138,654	\$ -	\$ -	\$ -	\$ -	\$ 59,138,654
Student loan funds	15,125,150	-	-	-	-	15,125,150
Operating grants	11,219,238	-	-	-	2,486,560	13,705,798
Earned income and other	1,247,108	-	-	-	129,413	1,376,521
Benefit refunds and co-payments	1,185,441	-	-	-	-	1,185,441
Student loans repaid	554,280	-	-	-	-	554,280
Auxiliary enterprise - earned income	1,562,404	-	-	-	-	1,562,404
Payments to employees, net	(47,017,880)	-	(578,661)	(284,980)	(557,038)	(48,438,559)
Payments to benefits, payroll taxes and withholdings	(52,340,059)	-	-	-	(173,149)	(52,513,208)
Payments to suppliers	(30,317,653)	-	-	-	(2,056,485)	(32,374,138)
Wired to international programs	(1,028,865)	-	-	-	-	(1,028,865)
Student refunds paid	(13,218,870)	-	-	-	-	(13,218,870)
Transfers to auxiliary corporations for salaries	(881,062)	-	583,661	297,401	-	-
Other transfers to/from auxiliary corporations	(55,216)	-	-	-	-	(55,216)
Payments of benefits and withholdings for auxiliary enterprises	(479,303)	-	-	-	-	(479,303)
Payments to supplies for auxiliary enterprises	(7,781,242)	-	-	-	-	(7,781,242)
Net cash (used in) provided by operating activities	(63,087,875)	-	5,000	12,421	(170,699)	(63,241,153)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
New York State appropriations	13,687,382	-	-	-	-	13,687,382
New York City appropriations	43,427,421	-	-	-	-	43,427,421
New York State counties chargebacks	12,695,090	-	-	-	-	12,695,090
Gifts and additions to endowment	-	-	-	-	2,134,765	2,134,765
Net cash provided by noncapital financing activities	69,809,893	-	-	-	2,134,765	71,944,658
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES						
Appropriation and gifts:						
Appropriations for debt financing	736,062	-	-	-	-	736,062
Capital grants - New York City Grants	500,000	-	-	-	-	500,000
New York State County Chargebacks	477,796	-	-	-	-	477,796
Educational Foundation pledge payment	250,000	-	-	-	-	250,000
Debt service and bond expense:						
College	(1,337,471)	-	-	-	-	(1,337,471)
Staff Housing	(354,998)	-	-	-	-	(354,998)
Staff Housing	-	-	(1,934,050)	-	-	(1,934,050)
Bond issuance costs	-	-	(346,348)	-	-	(346,348)
Purchase of capital assets:						
College	(3,424,165)	-	-	-	-	(3,424,165)
Staff Housing	(82,032)	-	-	-	-	(82,032)
Student Housing	(379,518)	-	(47,190,909)	-	-	(47,570,427)
Advanced by the College for student housing	(5,400,000)	-	5,400,000	-	-	-
Capitalized interest expense	-	-	(7,310,120)	-	-	(7,310,120)
DASNY investing activity:						
Sale of DASNY investments	17,458,410	-	147,253,009	-	-	164,711,419
Purchase of DASNY investment	(16,096,943)	-	(96,938,487)	-	-	(113,035,430)
Refunds from DASNY	731,262	-	(731,262)	-	-	-
Interest on investments	165,440	-	21,003	-	-	186,443
Capitalized interest on DASNY investments	-	-	1,777,164	-	-	1,777,164
Net cash used in financing activities	(6,756,157)	-	-	-	-	(6,756,157)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest income (net of fees)	1,331,880	-	-	-	(85,343)	1,246,537
Transfer to pooled investments	-	-	-	-	(467,159)	(467,159)
Purchase of short-term investments	(90,500,000)	-	-	-	(18,493,797)	(108,993,797)
Sale of short-term investments	93,000,000	-	-	-	12,585,033	105,585,033
Net cash (used in) provided by investing activities	3,831,880	-	-	-	(6,461,266)	(2,629,386)
NET (DECREASE) INCREASE IN CASH AND						
CASH EQUIVALENTS						
CASH AND CASH EQUIVALENTS, Beginning of year	3,797,741	-	5,000	12,421	(4,497,200)	(682,038)
CASH AND CASH EQUIVALENTS, End of year	6,165,823	350	1,493	4,831	5,825,992	11,998,489
CASH AND CASH EQUIVALENTS, End of year	\$ 9,963,564	\$ 350	\$ 6,493	\$ 17,252	\$ 1,328,792	\$ 11,316,451

See notes to financial statements.

FASHION INSTITUTE OF TECHNOLOGY
STATEMENT OF CASH FLOWS (Continued)
For the year Ended June 30, 2006

	Component Units					TOTAL REPORTING UNIT
	The College	Staff Housing	Student Housing	Student Faculty	Educational Foundation	
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
OPERATING (LOSS) INCOME	(68,741,611)	260,469	1,328,044	(7,634)	(50,908)	(67,211,640)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:						
Depreciation	5,416,786	522,115	902,198	-	-	6,841,099
Change in assets and liabilities:						
Student accounts receivable	(212,449)	-	-	-	-	(212,449)
Other accounts receivable	46,589	15,318	(2,972)	165,070	23,400	247,405
Loans receivable	60,495	-	-	-	-	60,495
Grants receivable (operating)	354,966	-	-	-	-	354,966
Claim on pooled cash (operating)	3,155,328	(676,106)	(5,277,615)	(40,921)	-	(2,839,314)
Due from affiliated organizations (operating)	(277,666)	-	-	-	-	(277,666)
Prepaid expenses and deposits	(101,037)	1,213	(70,577)	62	(4,000)	(174,339)
Accounts payable and accrued expenses	(2,530,614)	(139,285)	187,292	(107,066)	20,707	(2,568,966)
Due to affiliated organizations	-	-	2,900,000	-	(159,898)	2,740,102
Deferred revenue	(258,662)	16,276	38,630	2,910	-	(200,846)
NET CASH (USED IN) PROVIDED BY OPERATIONS	<u>\$ (63,087,875)</u>	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ 12,421</u>	<u>\$ (170,699)</u>	<u>\$ (63,241,153)</u>

See notes to financial statements.

FASHION INSTITUTE OF TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2006

NOTE 1 - ORGANIZATION AND PURPOSE

The Fashion Institute of Technology (the "College") is a community college under the program of the State University of New York ("SUNY") and is sponsored by the Department of Education of the City of New York.

The College is a specialized college of art and design, business and technology devoted to preparing men and women for careers in fashion and its related professions and industries, and also to provide leadership, preparation, but also a full range of liberal arts courses, as well as counseling and placement services, extracurricular activities, and access to the cultural life of New York City. The College has four academic schools: Liberal Arts; Art and Design; Business and Technology; and Graduate Studies. The College occupies five buildings located on a two-block square campus bounded by 7th and 8th Avenues and West 27th Streets in the Borough of Manhattan.

Founded in 1944 as the answer to the recognized needs of the fashion industry for professionally prepared people, the College is a unique institution. In 1951, the College became one of the first community colleges under the program of the State University of New York empowered to grant the Associate in Applied Science degree, Bachelor of Science and Bachelor of Fine Arts degrees. In 1979, another amendment was approved authorizing the granting of master's degrees. The College receives its principal support from New York State and New York City appropriations and grants as well as from tuition revenue.

The College is a fully accredited member of the Middle States Association of Colleges and Secondary Schools, the National Association of Schools of Arts and Design, and the Foundation of Interior Design Education Research.

The College is a political subdivision and as such is exempt from Federal, New York State and City income taxes.

Reporting Entity

The accompanying financial statements of the College consist of the accounts of the College and its component units, in accordance with the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 14, the Financial Reporting Entity as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

FIT Staff Housing Co., Inc ("Staff Housing") is a not-for-profit corporation formed by FIT to own and operate a 15-floor dormitory facility, Co-ed Hall, for FIT students. Rental income is also derived from students occupying the premises during the winter and summer recesses and from groups that rent rooms primarily during the summer.

FASHION INSTITUTE OF TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2006

NOTE 1 – ORGANIZATION AND PURPOSE (Continued)

FIT Student Housing Corporation (“Student Housing”) is a not-for-profit corporation formed by FIT to own and operate certain dormitories. Student Housing presently owns Nagler Hall, a 10-story building built in 1960 and Alumni Hall, an 18-story building that commenced operations in August 1988. In June 2004, Student Housing purchased a 15-floor building at 406 West 31st street to be converted into a new 1,110 bed dormitory. To finance the purchase and renovation, the Dormitory authority of the State of New York issued \$144,545,000 in revenue bonds. Payment of interest only on the bonds commences in fiscal 2005, and principal repayment will commence in fiscal 2008. The new dormitory opened successfully in August 2006 in time for the fall 2006 semester.

FIT Student Faculty Corporation (“Student Faculty”) is a not-for-profit corporation chartered by the New York State Board of Regents on behalf of the State of Education Department. Student Faculty was formed to provide certain services for students, faculty and staff which state regulations do not permit the College to perform directly. Student Faculty derives income from the leasing of facilities, college bookstore revenues, commission from food service operations and from interest on certificates of deposit. Student Faculty provided program support to the College of \$297,778 and contributed \$51,026 for purchase of library materials and equipment during the year ended June 30, 2006.

Educational Foundation for the Fashion Industries, Inc. (the “Educational Foundation”). The Educational Foundation is a not-for-profit corporation that operates exclusively for charitable and educational purposes, including providing scholarships and general support activities to the College. During fiscal year 2006, the Educational Foundation granted \$1,224,052 to the College and \$250,000 to Student Housing. Although the College does not control the timing or amount of receipts from the Educational Foundation, the majority of resources, or income thereon, that the Educational Foundation holds and invests, are restricted to the activities of the College by the donors. As of June 30, 2006, the Educational Foundation was holding \$7,216,689 in spendable restricted funds for the College’s capital projects.

The entities above are considered to be component units of the College and are discretely presented in the College’s financial statements. Complete financial statements can be obtained from the Administrative Offices at 236 West 27th Street, 5th Floor, New York, New York 10001.

FASHION INSTITUTE OF TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2006

NOTE 2 - BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Basis of Presentation

The College's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board ("GASB"). In addition, the College follows the pronouncements of all applicable Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid investments with a maturity of less than three months.

Short-Term Investments

Certificates of deposit with original maturity dates of greater than three months but less than one year from the date of purchase have been classified as short-term investments.

Investments

Investments are reported at fair value based upon quoted market prices.

As a public college receiving public funding, the College's investment policy's is to seek maximum returns consistent with complete preservation of principal and liquidity. All unrestricted cash is invested by the College's primary bank in insured and/or collateralized certificates of deposits, repurchase agreements, or US Treasury securities, with maturity dates from one month to two years. Unexpended bond proceeds are invested by the bond trustee in US Treasury securities, with maturity dates selected to meet anticipated cash needs of the capital projects and bond repayments for which the funds were raised.

Capital Assets

Capital assets include buildings, improvements, infrastructure, furniture and equipment. Capital assets are defined by the College as equipment and furnishings with an initial unit cost of \$5,000 or more and an estimated useful life in excess of two years, and construction/renovation projects costing more than \$10,000. Such assets are recorded at actual cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. Pursuant to New York State Education Law relative to community colleges, title to real property rests in and is held by the local sponsor (The City of New York) in trust for the use and purpose of the College. The College has stewardship responsibility and, as such, all plant asset activity is recorded by the College. The amount reflected as Property, Plant, and Equipment includes the estimated original value of the College's buildings and equipment (approximately \$79,000,000 at the time of construction), as well as detailed expenditures made since 1998.

FASHION INSTITUTE OF TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2006

NOTE 2 - BASIS OF PRESENTATION AND ACCOUNTING POLICIES (Continued)

Property, plant, and equipment are depreciated using the straight-line method over the following useful lives.

	<u>Years</u>
Assets	
Buildings	37
Leasehold improvements	7-10
Building improvements	7-20
Library materials	5-10
Furniture and equipment	3-10

Prepaid Bond Expenses

Prepaid bond expenses consists of unamortized balances of bond issuance costs. The College amortizes the bond issuance costs over the life of the bonds which is 30 years.

New York State Chargebacks

The College is authorized by New York State to charge and collect from each county within the state, for each nonresident student, two "charge-back" fees, an operating fee and a capital fee. These fees are included by SUNY in determining the sponsor's support for the College.

In fiscal year 2006, the College earned \$12,769,270 in operating county charge-back, calculated at the rate of \$7,180 per full-time equivalent ("FTE") per year. (The total recognized revenue represents \$12,795,712 gross revenue, less \$26,442 in bad debt expense.)

Also in fiscal 2006, the College earned \$481,430 in capital county charge-back, calculated at the rate of \$300 per FTE per year. The law requires that theses amounts be separately accounted for and that the funds be utilized to meet capital expenditure requirements of future periods.

Tuition Revenue Recognition

Tuition revenue is recognized in the semester in which education services are rendered. Deferred revenue arises from billings to students for the late summer session tuition and fees.

Contributions

Contributions are recognized when the cash is received for the pledge.

FASHION INSTITUTE OF TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2006

NOTE 2 - BASIS OF PRESENTATION AND ACCOUNTING POLICIES (Continued)

Employee Benefits

The College records the estimated value of future sick and vacation pay since vacation is vested when earned and sick pay is vested once an employee reaches age 55 and has been employed by the College for the required amount of time stipulated under the College's retirement policies. Employees accrue sick leave based on the number of years employed up to a maximum rate of 17 days per year. Employees also receive annual vacation leave ranging from 20 days to 50 days and may accumulate up to a maximum of one year's entitlement. Any unused vacation pay is payable upon retirement or termination. Accumulated sick leave is forfeited, unless an employee retires and has been employed the required amount of time, in which case 50% of the accrual is paid up to a maximum of 100 days. The total accrued at June 30, 2006 included in noncurrent accounts payable and accrued expenses in the accompanying statement of financial position is:

College	\$ 10,314,692
Staff Housing	25,106
Student Housing	46,625
Student Faculty	<u>20,660</u>
	<u>\$ 10,407,083</u>

New York State Appropriations

Operating appropriations received from SUNY are regulated by a financial formula contained in the SUNY regulations. Under the formula, the amount of basic state aid is limited to the lower of 40% of the College's net allowable expenditures or an established rate per full-time equivalent student. The basic state aid for fiscal 2006 was computed based on the established FTE rate of \$2,350, plus 50% of non-instructional rental costs incurred. Fiscal 2006 appropriations totaled \$21,069,860 plus \$175,000 in designated legislative grants, for a total of \$21,244,860.

New York City Appropriations

As the College's local sponsor, the New York City Department of Education (formerly the Board of Education) has in recent years funded between 25% and 30% of the College's operation budget. The amount shown for the FY 2006 appropriation contains an increase in City funding to help pay for the collective bargaining agreement, for which negotiations are currently underway.

Reclassification of Prior Year's Balance – Student Housing

In accordance with GASB standards, the bond interest and amortization expenses related to Student Housing's DASNY 2004 bond (see Note 8), net of related investment income, should have been capitalized as construction-in-progress in fiscal 2004 and 2005, rather than expensed, which would have increased Property/Plant/Equipment and Net assets-investment in plant by \$5,774,472 as of June 30, 2005. This amount has been classified as an Adjustment of Beginning Net Assets at July 1, 2005.

FASHION INSTITUTE OF TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2006

NOTE 2 - BASIS OF PRESENTATION AND ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenditures during the reporting period. Actual results could differ from the estimates used by management.

Recent Accounting Pronouncement

GASB Statement No. 45, *Accounting and Financial Reporting for Employers for Postemployment Benefits Other Than Pensions*, establishes standards for the measurement, recognition, and display of other postemployment benefits, expense/expenditures and related liabilities (assets), note disclosure, and, if applicable required supplementary information. Implementation would occur in three phases based on a government's total annual revenues in the first fiscal year ending after December 15, 2006.

The College is in the process of evaluating the impact that will result from adopting Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting for Employers for Postemployment Benefits Other Than Pensions*. The College will disclose the impact that adopting Statement No. 45, will have on its financial position and operations when this information is available.

NOTE 3 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash Deposits

The College's cash and cash equivalents are maintained in interest-bearing checking accounts, as well as its unrestricted investment and are held in well-capitalized, FDIC insured commercial banks. All cash deposits are insured or collateralized with securities held by the College or its agent in the College's name. Cash totals at June 30, 2006 were:

College	\$ 9,963,564
Staff Housing	350
Student Housing	6,493
Student Faculty	<u>17,252</u>
	<u>\$ 9,987,659</u>

FASHION INSTITUTE OF TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2006

NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Unrestricted Investments

The College's unrestricted cash balances are invested in commercial bank Certificate of Deposits, with interest rates ranging between 3.25% to 4.30%. All unrestricted investments are insured or collateralized with securities held by the College or its agent in the College's name. Total unrestricted investments at June 30, 2006 were:

Short term (maturities under one year)	\$ 31,500,000
Long term (maturities over one year)	<u>9,000,000</u>
Total	<u>\$ 40,500,000</u>

Unexpended DASNY bond proceeds are held by the bond trustee ("Bank of New York") in United States Treasury securities and cash, with maturity dates determined by the College's needs for payments to vendors and payments of debt service (See Note 8 for more details).

NOTE 4 - SHARE OF POOLED CASH/DUE TO POOLED CASH AND ALLOCATED INTEREST INCOME

Pooled Cash

Commencing July 1, 2002, the College implemented a pooled cash model for handling the cash management of the College and its auxiliary corporations (Staff Housing, Student Housing, Student Association and Student Faculty). Under the pooled cash model all cash receipts and payment are centralized in the College's operating bank accounts; cash in excess of immediate needs are maintained as pooled short-term investments in the College's name. The College's accounting system continually tracks each corporation's "Claim on Cash" as an automatic offset to each accounting transaction. At fiscal year end the Corporation's "claim on cash" is listed as an asset if it is positive or as a liability if it is negative.

Claim on pooled cash at June 30, 2006 is as follows:

College	\$ (784,047)
Student Association	<u>2,435,919</u>
	1,651,872
Staff Housing	(717,827)
Student Housing	(954,683)
Student Faculty	<u>20,638</u>
	<u>\$ -</u>

FASHION INSTITUTE OF TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2006

NOTE 4 – SHARE OF POOLED CASH/DUE TO POOLED CASH AND ALLOCATED INTEREST INCOME (Continued)

Allocated Interest Income

On a monthly basis interest income earned on the College's pooled short-term investments is allocated to all corporations based on their average daily claim on cash balance during the month. In fiscal 2006 allocated interest income was as follows:

College	\$ 1,463,476
Student Association	<u>88,760</u>
	1,552,236
Staff Housing	5,251
Student Housing	14,748
Student Faculty	<u>690</u>
	<u>\$ 1,572,925</u>

NOTE 5 - APPROPRIATION AND GRANTS RECEIVABLE

At June 30, 2006, appropriations and grants receivable of the College consist of the following:

	<u>New York City</u>	<u>New York State</u>	<u>Federal</u>	<u>NYS Counties</u>	<u>Total</u>
Appropriations - gross	\$ 1,983,843	\$ 5,318,497	\$ -	\$ 761,924	\$ 8,064,264
Less discounts	<u>-</u>	<u>-</u>	<u>-</u>	<u>(39,807)</u>	<u>(39,807)</u>
Appropriations - net	1,983,843	5,318,497	-	722,117	8,024,457
Operating grants	-	413,855	70,406	-	484,261
Capital grants	<u>38,346</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,346</u>
Total	<u>\$ 2,022,189</u>	<u>\$ 5,732,352</u>	<u>\$ 70,406</u>	<u>\$ 722,117</u>	<u>\$ 8,547,064</u>

FASHION INSTITUTE OF TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2006

NOTE 6 - DUE FROM AFFILIATED ORGANIZATIONS

At June 30, 2006, due from affiliated organizations consist of the following:

CURRENT PORTION

Due from Education Foundation: program support	\$ 314,318
Loan to Student Housing: upgrades for Alumni and Nagler Halls*	2,191,480
Loan to Staff Housing : upgrades for Coed Hall *	<u>386,984</u>
	<u>2,892,782</u>

NONCURRENT PORTION

Loan to Student Housing Corporation: renovation of 31st Street*	<u>2,924,263</u>
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TOTAL

\$ 5,817,045

*Total includes principal and accumulated interest

FASHION INSTITUTE OF TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2006

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT

The following tables present the changes in the various capital asset categories for the year ended June 30, 2006.

	Balance, June 30, 2005	Additions	Balance, June 30, 2006
The College			
Buildings	\$ 98,106,208	\$ 784,757	\$ 98,890,965
Building improvements	6,117,933	586,235	6,704,168
Leasehold improvements	799,817	-	799,817
Library acquisitions	5,592,625	222,174	5,814,799
Equipment	36,545,713	1,810,499	38,356,212
Construction in progress	463,536	20,500	484,036
Total	<u>147,625,832</u>	<u>3,424,165</u>	<u>151,049,997</u>
Less accumulated depreciation:			
Buildings	67,587,705	2,235,097	69,822,802
Building improvement	3,317,477	540,229	3,857,706
Leasehold improvements	452,752	100,633	553,385
Library acquisitions	4,904,580	255,876	5,160,456
Equipment	30,674,035	2,284,951	32,958,986
Total accumulated depreciation	<u>106,936,549</u>	<u>5,416,786</u>	<u>112,353,335</u>
Net Capital Assets-The College	<u>\$ 40,689,283</u>	<u>\$ (1,992,621)</u>	<u>\$ 38,696,662</u>
Staff Housing			
Land	325,000	\$ -	\$ 325,000
Building	4,511,264	-	4,511,264
Building improvement	3,317,407	82,032	3,399,439
Furniture, fixtures and improvements	1,211,848	-	1,211,848
Total	<u>9,365,519</u>	<u>82,032</u>	<u>9,447,551</u>
Less accumulated depreciation:			
Building	2,691,573	90,234	2,781,807
Building improvement	1,349,606	297,710	1,647,316
Furniture, fixtures and improvements	820,776	134,171	954,947
Total accumulated depreciation	<u>4,861,955</u>	<u>522,115</u>	<u>5,384,070</u>
Net Capital Assets- Staff Housing	<u>\$ 4,503,564</u>	<u>\$ (440,083)</u>	<u>\$ 4,063,481</u>
Student Housing			
Land	\$ 12,083,700	\$ -	\$ 12,083,700
Building	57,830,346	-	57,830,346
Building improvements	3,598,818	61,654	3,660,472
Furniture, fixtures and improvements	1,865,363	270,812	2,136,175
Construction in progress	13,526,719	55,153,383	68,680,102
Total	<u>88,904,946</u>	<u>55,485,849</u>	<u>144,390,795</u>
Less accumulated depreciation:			
Building	\$ 10,225,270	\$ 511,916	\$ 10,737,186
Building improvements	1,654,709	310,175	1,964,884
Furniture, fixtures and improvements	1,741,440	80,107	1,821,547
Total accumulated depreciation	<u>13,621,419</u>	<u>902,198</u>	<u>14,523,617</u>
Net Capital Assets- Student Housing	<u>\$ 75,283,527</u>	<u>\$ 54,583,651</u>	<u>\$ 129,867,178</u>

FASHION INSTITUTE OF TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2006

NOTE 8 - BONDS AND MORTGAGE PAYABLE

The College

In July 2000, DASNY issued Fashion Institute of Technology Revenue Bonds, Series 2000 (the "Series 2000 Bonds") in the amount of \$18,515,000, the proceeds of which have been used to fund a portion of the College's Master Plan, Phase I, as well as to refinance the outstanding principal amount of \$4,155,000 on the College's Series 1990 Bonds previously issued. The Series 2000 bonds were issued at a discount of \$372,128. Such bonds bear interest at variable rates ranging from 4.35 to 5.40% until maturity in July 2030. Interest payments are required semiannually and principal annually. The bonds are collateralized by pledged revenues and the underlying assets of the College.

In April 2003, the College contributed \$2,046,880 as an equity share in DASNY's Personal Income Tax ("PIT") Education 2003A bond offering. The College's share of the proceeds of this offering will be used to fund additional Master Plan Phase I projects. As these bonds are funded by NYS personal income tax, the College incurred no debt related to this offering.

The College's Master Plan ("Phase I") consists of six projects, including renovations and extensions to existing buildings and courtyards, and a closing of a portion of West 27th Street in New York City for use as a pedestrian mall, with total projected costs of over \$49,000,000.

Proceeds of the Series 2000 Bonds and PIT Education 2003A bond will be used to fund four projects, with total costs of approximately \$19,000,000. According to the terms of an agreement between the College, the City of New York (the "City"), and the State of New York (the "State"), payment of interest and principal on the bonds will be from amounts appropriated by the City and the State. In the unlikely event that the City fails to pay its share of the debt service on the bonds, as agreed in the Memorandum of Understanding with the College, the College has agreed to assign to DASNY a portion of the College's basic state aid to cover the City's share. Principal and interest payments are fully subsidized by the State and the City of New York.

Aggregate annual principal and interest payments due for years subsequent to June 30, 2006 are:

	Principal			Interest
	Gross	Discount	Total	
DASNY 2000				
2007	\$ 495,000	\$ (12,404)	\$ 482,596	\$ 892,921
2008	520,000	(12,404)	507,596	869,656
2009	545,000	(12,404)	532,596	844,956
2010	570,000	(12,404)	557,596	818,524
2011	605,000	(12,404)	592,596	790,594
2011-2016	3,500,000	(62,022)	3,437,978	3,459,760
2017-2021	3,515,000	(62,022)	3,452,978	2,455,686
2022-2026	3,490,000	(62,022)	3,427,978	1,574,100
2027-2030	3,555,000	(49,618)	3,505,382	501,600
Total	<u>\$ 16,795,000</u>	<u>\$ (297,704)</u>	<u>\$ 16,497,296</u>	<u>\$ 12,207,797</u>

FASHION INSTITUTE OF TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2006

NOTE 8 - BONDS AND MORTGAGE PAYABLE (Continued)

The Bank of New York serves as trustee for the bonds proceeds and invests unspent funds in US Treasury securities. Deposits with DASNY held in trust in the accompanying statement of net assets consist of:

	<u>Cash</u>	<u>Investment</u>	<u>Accrued Interest</u>	<u>Total</u>
DASNY 2000 issue at market:				
Construction fund	\$ 1,465	\$ 2,403,120	\$ 4,962	\$ 2,409,547
Debt service fund	225	3,957	-	4,182
Debt service reserve fund	<u>921</u>	<u>701,890</u>	<u>2,998</u>	<u>705,809</u>
	2,611	3,108,967	7,960	3,119,538
PIT 2003A issue:				
Construction fund	<u>1,968,490</u>	-	-	<u>1,968,490</u>
Total	<u>\$ 1,971,101</u>	<u>\$ 3,108,967</u>	<u>\$ 7,960</u>	<u>\$ 5,088,028</u>

FIT Student Housing

1995 Issue

On September 12, 1995, DASNY also issued F.I.T. Student Housing Corporation Insured Revenue Bonds ("1995 Issue") in the principal amount of \$15,800,000. The proceeds of the bonds were \$16,080,644 and were used primarily to retire bonds which had been issued in 1986. The obligations are being funded primarily by a pledge of revenue consisting of room rents. In addition, pursuant to a pledge agreement, the Educational Foundation has pledged to pay \$250,000 annually to the Student Housing through June 2006 or as long as any bonds are outstanding under the obligation. The bond was paid off in January 2006 and the excess revenues in the Building & Equipment Reserve Fund and Debt Service Reserve Fund were transferred to the College.

2004 Issue

On June 9, 2004, DASNY issued FIT Student Housing Corporation Insured Revenue Bonds ("2004 Issue") in the principal amount of \$144,545,000. The proceeds of the bonds were \$146,049,334 to be used for the purchase and renovation of a building at 406 West 31st Street for use as an 1100 bed dormitory. The obligation is being funded by a pledge of revenue consisting of room rents.

FASHION INSTITUTE OF TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2006

NOTE 8 - BONDS AND MORTGAGE PAYABLE (Continued)

Aggregate annual principal and interest payments due for both bond issues for years subsequent to June 30, 2006 are:

	Principal			Interest
	Gross	Premium	Total	
DASNY 2004				
2007	\$ 935,000	\$ 50,144	\$ 985,144	\$ 7,310,120
2008	2,620,000	50,144	2,670,144	7,272,720
2009	2,725,000	50,144	2,775,144	7,167,920
2010	2,860,000	50,144	2,910,144	7,031,670
2011	3,005,000	50,144	3,055,144	6,888,670
2012-2016	17,465,000	250,723	17,715,723	32,006,300
2017-2021	22,505,000	250,723	22,755,723	26,962,300
2022-2026	28,765,000	250,723	29,015,723	20,701,913
2027-2031	36,790,000	250,723	37,040,723	12,674,619
2032-2034	26,875,000	150,433	27,025,433	2,800,556
Total	<u>\$ 144,545,000</u>	<u>\$ 1,404,045</u>	<u>\$ 145,949,045</u>	<u>\$ 130,816,788</u>

The Bank of New York serves as trustee for the bonds proceeds and invests unspent funds in US Treasury securities. "Deposits with DASNY" held in trust in the accompanying statement of net assets consist of:

	Cash	US Treasury Investments	Accrued Interest	Interest
	DASNY 2004			
Construction fund	\$ 1,500,594	\$ 26,513,368	\$ 284,361	\$ 28,298,323
Debt service fund	20,000	-	-	20,000
Capitalized interest fund	800	1,694,873	5,723	1,701,395
Cost of issuance fund	156	103,967	215	104,338
Total	<u>\$ 1,521,549</u>	<u>\$ 28,312,208</u>	<u>\$ 290,299</u>	<u>\$ 30,124,056</u>

FIT Staff Housing Corporation

Staff Housing has a mortgage payable to a bank (as assignee from the City of New York). The mortgage is payable in monthly installments of \$29,583 including interest charged at 7.86% per annum on the unpaid principal balance. The mortgage is secured by Staff Housing's property and buildings. The scheduled future principal and interest payments for years subsequent to June 30, 2006 are as follows:

FASHION INSTITUTE OF TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2006

NOTE 8 - BONDS AND MORTGAGE PAYABLE (Continued)

Fiscal year activities and outstanding balances at June 30, 2006 for all long-term debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 130,261	\$ 224,737	\$ 354,998
2008	140,527	214,471	354,998
2009	152,675	202,323	354,998
2010	164,770	190,228	354,998
2011	178,198	176,800	354,998
2011-2015	1,133,804	641,187	1,774,991
2016-2020	<u>1,017,600</u>	<u>139,121</u>	<u>1,156,721</u>
Total	<u>\$ 2,917,835</u>	<u>\$ 1,788,867</u>	<u>\$ 4,706,702</u>

NOTE 9 - POST RETIREMENT HEALTH BENEFITS OF THE COLLEGE

The College funds 100% of the cost of health insurance for retired employees and their dependents. The cost of retiree health care is recognized as expense as costs are incurred in accordance with generally accepted accounting principles for governmental entities. Those costs for the year ended June 30, 2006 were \$1,203,108 to managed care organizations, \$375,255 paid to the UCE Welfare fund, and \$183,589 paid directly to retirees for the reimbursement of Medicare Part B premiums. In addition, retirees remitted payments totaling \$420,695 to the College to offset a portion of the amounts paid to the managed care organizations.

NOTE 10 - EMPLOYEE PENSION BENEFIT PLANS

The College provides pension benefits for its employees through contributions to the New York State Teachers' Retirement System ("NYSTRS") and the Teachers' Insurance and Annuity Association and College Retirement Equities Fund ("TIAA/CREF"). These systems provide various plans and options, some of which require employee contributions. Substantially all of the College's full-time staff and faculty are covered by and participate in one of two pension plans. The following is a brief description of each plan:

A. New York State Teachers' Retirement System ("NYSTRS")

The College contributes to the NYSTRS, a cost sharing, multiple employer defined benefit pension plan administered by the New York State Teachers' Retirement Board. The System provides retirement, disability, withdrawal and death benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. Pursuant to recent legislation effective October 1, 2000, the 3% mandatory contribution to the retirement system will end for employees who have attained 10 years of membership.

FASHION INSTITUTE OF TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2006

NOTE 10 - EMPLOYEE PENSION BENEFIT PLANS (Continued)

Plan members who joined NYSTRS before July 27, 1976 are not required to make contributions. Those joining after July 27, 1976 are required to contribute 3% of their annual salary. Employers are required to contribute at an actuarially determined rate of 7.97% of annual covered payroll for the fiscal year ended June 30, 2006. For the fiscal year, the College's required contribution was \$1,271,063 and the employees' contribution was \$194,360.

B. Teachers' Insurance and Annuity Association and College Retirement Equities Fund ("TIAA/CREF")

TIAA/CREF is a multiple employer defined contribution retirement plan that provides benefits to certain employees of the College. The College assumes no liability for the financial status of TIAA/CREF members' accounts other than payment of contributions. TIAA/CREF provides retirement and death benefits for, or on behalf of, those full-time professional employees and faculty members electing to participate in this optional retirement program. Participation eligibility, as well as contributory and noncontributory requirements, are established by the New York State Retirement and Social Security Law. Benefits are determined by the amount of individual accumulations and the retirement income option selected.

All benefits vest after the completion of one year of service if the employee is retained thereafter. Individually owned annuity contracts, that provide for full ownership of retirement and survivor benefits, are purchased at the time of vesting.

Contributions to TIAA/CREF are based on participating employee salaries. Pension expenses for the year ended June 30, 2006, was as follows:

College	\$ 3,850,607
Student Association	<u>8,359</u>
	3,858,966
Staff Housing	16,479
Student Housing	30,603
Student Faculty	<u>16,208</u>
	<u>\$ 3,922,256</u>

Employees hired after July 1976 contribute 3% of salary on a before-tax basis. In addition, the College makes contributions to TIAA/CREF at the rates mandated by New York State law. These rates are as follows (subject to the social security maximum amount as applicable):

- For employees hired prior to June 30, 1976, 12% of the first \$16,500 of salary, plus 15% of the amount of salary which exceeds \$16,500.
- For employees hired after June 30, 1976 and through June 30, 1992, 9% of the first \$16,500 of salary, plus 12% of the amount of salary which exceeds \$16,500.
- For employees hired after June 30, 1992, 8% of salary for the first seven years of employment and 10% of salary for years of employment thereafter.

FASHION INSTITUTE OF TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2006

NOTE 11 - OPERATING LEASES OF THE COLLEGE

The College leases certain office facilities and equipment under operating lease arrangements. Future minimum payments, including escalation clauses, for noncancelable operating leases as of June 30, 2006, are as follows:

Fiscal Year Ended June 30	
2007	\$ 908,650
2008	908,650
2009	908,650
2010	673,900
2011	439,150
Thereafter to 2016	<u>1,902,982</u>
Net minimum lease payments	<u>\$ 5,741,982</u>

The base rentals above will be increased by the percentage increase in wages based on porter's salary pursuant to agreements with the Realty Advisory Board on Labor Relations, Incorporated. Additional payments are due for escalation in utilities, wages and real estate taxes. Total rent expense, including all escalations and adjustments, was \$1,203,039 for the year ended June 30, 2006.

NOTE 12 - COMMITMENTS AND CONTINGENCIES OF THE COLLEGE

The College is obligated to pay, or provide for payment to FIT Student Housing Corporation ("Student Housing"), if Student Housing is unable to make payments on its outstanding bond obligation. The bonds are secured by the pledges to Student Housing, and its rental revenues, as well as its mortgaged properties and security interests in fixtures and equipment.

The College has received federal and state aid and grants, which are subject to audit by agencies of the federal and state governments. Such audits may result in disallowances and a request for a return of funds to the federal and state governments. The College believes that potential disallowances, if any, have been adequately provided for.

The College is a defendant in certain lawsuits arising in the ordinary course of operations. While the outcome of lawsuits or other proceedings against the College cannot be predicted with certainty, the College does not expect that these matters will have a material adverse effect on its financial position.

SUPPLEMENTARY INFORMATION

FASHION INSTITUTE OF TECHNOLOGY
SCHEDULE OF RECONCILIATION OF THE COLLEGE'S REVENUES, EXPENSES AND OTHER
CHANGES TO AUDITED FINANCIAL STATEMENTS
For the Year Ended June 30, 2006

	<u>Revenues</u>	<u>Expenses</u>	
Unrestricted current funds	\$ 125,930,065	\$ 124,225,860	
Restricted current funds	14,020,109	13,812,898	
Plant funds	4,310,874	1,773,883	
Loan funds	58,738	25,865	
Blended component unit(s)	<u>2,407,099</u>	<u>2,066,380</u>	
Totals (all funds)	146,726,885	141,904,886	
 Adjustments to reconcile to financial statements:			
Scholarship allowances	(10,629,694)	(10,629,694)	
Expended for plant facilities	(3,424,165)	(3,424,165)	
Retirement of indebtedness	(26,444)	(26,444)	
Interfund transfers	(12,697)	(12,697)	
Depreciation	-	5,416,786	
Adjusted totals	<u>\$ 132,633,885</u>	<u>\$ 133,228,672</u>	
 Per audited financial statements			
Operating revenue / expenses	\$ 63,518,434	\$ 132,260,046	
Nonoperating revenue / expenses	<u>69,115,451</u>	<u>968,626</u>	
Totals per financial statements	<u>\$ 132,633,885</u>	<u>\$ 133,228,672</u>	
	<u>Annual Report</u>	<u>Unrestricted Current Fund</u>	<u>Reconciled Difference</u>
2005 -2006 Total unrestricted expenses	\$ 124,091,112	\$ 124,225,860	\$ (134,748)
Revenues offset to expense + nonallowable costs	6,643,520	6,643,520	-
2005-2006 Net operating costs	<u>\$ 117,447,592</u>	<u>\$ 117,582,340</u>	(134,748)
 Net operating costs reconciling items:			
Bad debt expense			134,748
 Total			 <u>\$ -</u>

FASHION INSTITUTE OF TECHNOLOGY
SCHEDULE OF STATE OPERATING AID
For the Year Ended June 30, 2006

OPERATING COST FORMULA:

Total operating costs \$ 124,091,112

Less:

Total revenues—offset to expense 6,518,100

Costs not allowable for state aid 125,420

NET OPERATING COSTS 117,447,592 @ 0.40 = \$ 46,979,037 **A**

Rental costs - physical space 1,025,997 @ 0.50 = 513,000

FUNDED FTE STUDENTS FORMULA:

2002-2003 actual 8,795.2 x 0.20 = 1,759.0

2003-2004 actual 8,794.5 x 0.30 = 2,638.4

2004-2005 actual 8,700.4 x 0.50 = 4,350.2

-

2005-2006 calculated FTE (20-30-50% Rule) 8,747.6

2005-2006 calculated FTE (greater of 20-30-50%
 Rule of Prior Year Actual) \$ 8,747.6

Funded FTE students - basic aid 8,747.6 @ \$ 2,350 \$ 20,556,860

Funded FTE and Rental Costs 21,069,860 **B**

BASIC AID—LESSOR OF (A) OR (B) \$ 21,069,860

**FASHION INSTITUTE OF TECHNOLOGY
SCHEDULE OF RECONCILIATION OF NET OPERATING COSTS TO ANNUAL REPORT
FOR THE YEAR ENDED JUNE 30, 2006**

Calculated tuition based on state-aidable FTE per Annual Report:

	Headcount Credit Hours and FTE				Rate			Equated Tuition
	Lower Div	Upper Div	Grad Div	Total	Lower Div	Upper Div	Grad Div	
Full-time student headcount								
Fall 2005 full-time students per Form 1C	4,130	2,531	108	6,769	\$ 1,537	\$ 2,175	\$ 3,450	\$ 12,225,335
Spring 2006 full-time students per Form 1C	3,932	2,476	67	6,475	1,537	2,175	3,450	11,659,934
Summer 2006 full-time students per Form 1C	-	-	-	-				
Total full-time headcount	8,062	5,007	175	13,244				
Total credit hours of full-time students	130,405	80,782	2,171	213,358				
Part-time student credit hours								
Fall 2005 part-time credits per Form 1C	13,193	2,744	294	16,231	128	181	288	2,270,040
Spring 2006 part-time credits per Form 1C	12,834	3,065	412	16,311	128	181	288	2,316,173
Winter 2006 part-time credits per Form 1C	2,764	781	147	3,692	128	181	288	537,489
Summer 2006 part-time credits per Form 1C	10,365	3,180	177	13,722	128	181	288	1,953,276
Total part-time credit hours	39,156	9,770	1,030	49,956				
Total credit hours	169,561	90,552	3,201	263,314				
Total state-aidable FTE	5,652	3,018	107	8,777				
Total calculated tuition based headcount and credit hours								\$ 30,962,247
Reconciliation to annual report and audited financial statements:								
Less: Bad debt allowance								\$ (80,647)
Other - 10% of summer 2006 tuition deferred to FY 2007								(204,073)
Add: Forfeited tuition due to withdrawals - FTE's not claimed								
Other - miscellaneous differences (withdrawals, adjustments, etc.)								549,171
Other - 10% of summer 2005 tuition deferred to FY 2006								180,704
Tuition revenue reported on annual report (lines 206-208)								<u>\$ 31,407,402</u>
Add: Distribution of excess student revenue								
Out-of-state resident tuition								\$ 21,068,474
Service fees								1,880,679
Student revenue - non state aidable courses								2,720,899
Fees credited to restricted accounts								1,025,515
Bad debt expense - in-state and out-of-state tuition								134,746
Tuition & fee revenue per audited financial statements (gross)								<u>\$ 58,237,715</u>

SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT

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SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT

The following is a summary of certain provisions of the Lease Agreement. This summary does not purport to be complete and reference is made to the Lease Agreement for full and complete statements of each of its provisions. Except as noted, defined terms used in this Appendix have the meanings ascribed to them in Appendix A. Unless otherwise indicated, references to section numbers refer to sections in the Lease Agreement.

Termination

Unless sooner terminated as provided in the Agreement, the Agreement shall remain in full force and effect until no Bonds are Outstanding and until all other payments, expenses and fees payable under the Agreement by the Corporation shall have been made or provision made for the payment thereof; provided, however, that certain liabilities and the obligations of the Corporation to provide reimbursement for or indemnification against expenses, costs or liabilities made or incurred pursuant to the 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 Corporation to evidence such termination, the release and cancellation of the Agreement, and the discharge of its duties under the Agreement, including the satisfaction of any Mortgage and the release or surrender of any security interests granted by the Corporation to the Authority pursuant to the Agreement and to convey to the Corporation all right, title and interest in and to the Leased Property which the Authority may have at such time free and clear, at the Authority's own cost and expense, of all mortgages, pledges, liens, encumbrances or claims of any kind on or in respect of the Leased Property (i) created by, or arising as the result of claims against, the Authority not related to a Project or (ii) arising exclusively out of the actual gross negligence or willful misconduct of the Authority.

(Section 53)

Lease of the Leased Property; Occupancy

Pursuant to the Agreement, the Authority leases to the Corporation and the Corporation takes and hires from the Authority the Leased Property for the Term of the Agreement and at the fixed rentals specified in the Agreement and other additional rentals as provided in the Agreement and upon the conditions specified in the Agreement.

(Section 4)

Project Financing

The Authority agrees to use its best efforts to (i) authorize, issue, sell and deliver the Series 2004 Bonds in a principal amount not exceeding \$150,000,000, and (ii) authorize, issue, sell and deliver the Series 2007 Bonds in a principal amount not exceeding \$130,000,000. The proceeds of the Series 2004 Bonds shall be applied as specified in the Series Resolution authorizing the issuance of the Series 2004 Bonds or a Bond Series Certificate relating to such Series of Bonds and the proceeds of the Series 2007 Bonds shall be applied as specified in the Series Resolution authorizing the issuance of the Series 2007 Bonds or a Bond Series Certificate relating to such Series of Bonds.

(Section 5)

Construction of Projects

In the event that the Authority undertakes the construction of a Project, the Project shall be undertaken in accordance with the Project Management Agreement. The Corporation agrees that whether or not there are sufficient moneys available to it under provisions of the Resolution, the Corporation shall provide such funds as are necessary to complete the Project in accordance with the Project Management Agreement.

The Resolution authorizes the Authority to make payments from the Construction Fund to pay the Cost of the Project or to reimburse the Corporation and the Authority for Costs of the Project paid by either of them upon the filing in the offices of the Authority of the requisition signed by an Authorized Officer of the Authority.

To the extent that the Corporation receives the disbursements of moneys in the Construction Fund to be made under the Agreement, the Corporation will hold the right to receive the same as a trust fund for the purpose of paying the Costs of the Project and will apply the same first to such payment before using any part thereof for any other purposes.

The Corporation shall permit the Authority and its authorized representatives, at all reasonable times, to enter upon the property of the Corporation, the Leased Property, a Project and any Mortgaged Property as necessary to inspect such Project, Leased Property and any Mortgaged Property and all materials, fixtures and articles used or to be used in construction of such Project, and to examine all Contract Documents relating to such Project. The Corporation shall furnish to the Authority and its authorized representatives, when requested, copies of such Contract Documents. The Corporation agrees to retain all documentation or true copies thereof of expenditures for items which constitute Costs of the Project for at least seven years after the date of completion of such Project.

An Authorized Officer of the Authority, in his sole and absolute discretion, may waive, from time to time, any of the conditions set forth under this heading. Any such waiver shall not be deemed a waiver by the Authority of its right to thereafter require compliance with any such condition. The Corporation acknowledges and agrees that disbursements from the 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.

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 Corporation and delivered as soon as practicable after the date of completion, or upon delivery to the Trustee and the Corporation 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 Corporation in writing that, in the Authority's judgment, the Project has been completed substantially in accordance with the plans and specifications for the Project and the Corporation has failed to execute and deliver the certificate provided for in the Agreement within thirty (30) days after such notice is given. The moneys, if any, remaining in the Construction Fund after a Project has been deemed to be complete shall be paid as provided in the Resolution.

(Section 6)

Amendment of a Project; Cost Increases; Additional Financing.

A Project may be amended by the Corporation 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 Corporation 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 by the Corporation, whether such moneys are required as a result of an increase in the scope of such 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.

The Authority, upon the request of the Corporation, may, but shall not be required to, issue notes or 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 Agreement or in the Resolution shall be construed as creating any obligation upon the Authority to issue notes or bonds for such purposes, it being the intent of the Agreement to reserve to the Authority full and complete discretion to decline to issue such notes or bonds. The proceeds of any notes or bonds shall be deposited and applied as specified in the resolution authorizing such notes or bonds.

(Section 7)

Financial Obligations of the Corporation; General and Unconditional Obligation; Voluntary Payments.

Except to the extent that moneys are available therefor under the Resolution or under the Agreement, including moneys in the Debt Service Fund and interest accrued but unpaid on investments held in the Debt Service Fund, but excluding moneys from the Debt Service Reserve Fund or the Building and Equipment Reserve Fund, the Corporation unconditionally agrees to pay as fixed rent for the Leased Property and in consideration for the loan made by the Authority to the Corporation under the Agreement, 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 2004 Bonds, \$75,000 to be applied as a credit against payment of the Authority Fee estimated to be such amount; and (ii) on or before the date of delivery of the Series 2007 Bonds, \$75,000 to be applied as a credit against payment of the Authority Fee estimated to be such amount;

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

(c) On December 10 immediately preceding the January 1, and on June 10 immediately preceding the July 1, on which interest becomes due on all Bonds, other than Option Bonds and Variable Interest Rate Bonds, the interest coming due on such January 1 or July 1 interest payment date for such Bonds;

(d) On December 10 immediately preceding the July 1 on which the principal or a Sinking Fund Installment of Bonds becomes due, other than Option Bonds and Variable Rate Bonds, one half of the principal and Sinking Fund Installments on the Bonds coming due on such July 1;

(e) On June 10 immediately preceding the July 1 on which the principal or a Sinking Fund Installment of Bonds becomes due, other than Option Bonds or Variable Interest Rate Bonds, the balance of the principal and Sinking Installments on the Bonds coming due on such July 1;

(f) At least forty-five (45) days with respect to Bonds other than Option Bonds and Variable Interest Rate Bonds and fifteen (15) days with respect to Option Bonds and Variable Interest Rate Bonds 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;

(g) On the date of delivery of Bonds of a Series, for deposit in the Building and Equipment Reserve Fund, an amount equal to the Building and Equipment Reserve Fund Requirement, if any. Payments required to be made pursuant to this paragraph may be made by delivery to the Trustee for deposit in the Building and Equipment Reserve Fund of Securities valued, as of a date not more than five (5) days prior to the delivery thereof, in accordance with the Resolution at not less than the payment then to be made;

(h) On December 10 and June 10 in each Bond Year after the Bond Year in which a Series of Bonds are issued, an amount equal to one half (1/2) of the Annual Administrative Fee with respect to such Bonds;

(i) Promptly after notice from the Authority, but in any event not later than five (5) 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 the Agreement and any expenses or liabilities incurred by the Authority pursuant to the Agreement, (iii) to reimburse the Authority for any external costs or expenses attributable to the issuance of Bonds of a Series or the financing or construction of a Project, (iv) for the costs and expenses incurred to compel full and punctual performance of all the provisions of the Agreement, the Agreement of Lease, the Operating Agreement, any Mortgage and the Resolution in accordance with the terms thereof, and (v) for the fees and expenses of the Trustee and any Paying Agent and reasonable attorney fees in connection with performance of their duties under the Resolution;

(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 Corporation as a result of an acceleration pursuant to the Agreement;

(k) 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 Bonds of a Series or otherwise available therefor under the Resolution and the amount required to be rebated or otherwise paid to the Department of the Treasury of the United States of America in accordance with the Code in connection with the Bonds; and

(l) 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 required for the payment of principal or Sinking Fund Installments of, or interest on, Bonds due and payable on such interest payment date, the amount of such deficiency.

Subject to the provisions of the Agreement and of the Resolution, the Corporation shall receive a credit against certain amounts required to be paid by the Corporation during a Bond Year pursuant the 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 the Bonds to be redeemed through any Sinking Fund

Installments on the next succeeding July 1, the Corporation delivers to the Trustee for cancellation one or more Bonds of the maturity to be so redeemed on such July 1. The amount of the credit shall be equal to the principal amount of the Bonds so delivered and cancelled.

The Authority directs the Corporation, and the Corporation covenants and agrees, to make certain payments required by the Agreement directly to the Trustee for deposit and application in accordance with the Resolution, the payments required by paragraph (b) above 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 and certain payments required by the Agreement directly to the Authority.

Notwithstanding any provisions in the Agreement or in the Resolution to the contrary (except as otherwise specifically provided for in this paragraph), all moneys paid by the Corporation to the Trustee pursuant to the Agreement or otherwise held by the Trustee shall be applied in reduction of the Corporation's indebtedness to the Authority under the 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. 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.

The obligations of the Corporation to make payments or cause the same to be made under the Resolution 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 Corporation may otherwise have against the Authority, the Trustee or any Holder of the Bonds for any cause whatsoever including, without limiting the generality of the foregoing, failure of the Corporation or the Authority to complete a Project or the completion thereof with defects, failure of the Corporation to occupy or use a Project, any declaration or finding that 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 Agreement shall be construed to release the Authority from the performance of any agreements on its part contained in the Agreement or any of its other duties or obligations, and in the event the Authority shall fail to perform any such agreement, duty or obligation, the Corporation may institute such action as it may deem necessary to compel performance or recover its damages for non-performance. Notwithstanding the foregoing, the Authority shall have no obligation to perform its obligations under the Agreement beyond the extent of moneys in the Construction Fund available therefor.

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

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

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

The Corporation, if it is not then in default under the 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 Corporation or upon any deposit in the Debt Service Fund made pursuant to the Agreement, the Authority agrees to direct the Trustee to purchase or redeem Bonds in accordance with the Resolution or to give the Trustee irrevocable instructions in accordance with the Resolution with respect to such 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 Agreement and under the Resolution (with respect to such Bonds), 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 Corporation, 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.

As soon as practicable after a Project is deemed complete, the Authority shall determine, and notify the Corporation of, the actual Authority Fee (including, upon request of the Corporation, the components thereof in reasonable detail) incurred by the Corporation in connection with such Project to the date of such notice. The balance, if any, of such Authority Fee then unpaid, to the extent not paid from the Construction Fund, shall be paid by the Corporation pursuant to the Agreement. If upon such determination the actual amount of the Authority Fee incurred by the Corporation in connection with such Project to the date of such notice is less than the amount theretofore paid, the Authority shall refund to the Corporation the amount paid in excess of such actual amount.

The Corporation covenants that, except for Permitted Encumbrances, it shall not transfer, sell or convey any interest in a Project or any Mortgaged Property without the prior approval of an Authorized Officer of the Authority or, in the event a Mortgage has been assigned to the Trustee, without the prior approval of the Trustee. However, if any portion of a Project or any Mortgaged Property or any interest therein is disposed of while Bonds are Outstanding, the Corporation shall, absent a prior written agreement with the Authority as to the replacement of the Project or any Mortgaged Property, pay the net proceeds of any such disposition to the Trustee for deposit in the Debt Service Fund. Notwithstanding the foregoing, the Corporation may remove equipment, furniture or fixtures in a Project provided that the Corporation substitutes for such equipment, furniture or fixtures additional equipment, furniture or fixtures having a value and utility at least equal to the equipment, furniture or fixtures removed or replaced.

The Corporation shall make all payments required under the Agreement, including the fixed net rent, in lawful money of the United States which shall be legal tender for the payment of all debts, public and private, at the time of payment.

The Agreement shall be deemed and construed to be a "net lease" with respect to the Leased Property. The Corporation shall pay to the Authority free of any charges, occupancy or use taxes, personal property taxes, excise taxes, assessments, impositions or deductions of any kind and without any abatement, counterclaims, deduction or set-off, (i) absolutely net throughout the term of the Agreement,

the rent and the other payments under the Agreement with respect to the Leased Property, and (ii) any other payments under the Agreement with respect to a Project or any Mortgaged Property. Under no circumstances or conditions, whether now existing or hereafter arising, or whether beyond the present contemplation of the parties, shall the Authority be expected or required to make any payment of any kind whatsoever or be under any other obligation or liability under the Agreement except as otherwise expressly set forth in the Agreement.

(Section 10)

Reserve Funds

At or before the delivery by the Authority of Bonds of a Series and as a condition precedent to the Authority's obligation to deliver Bonds of a Series, the Corporation agrees to deliver to the Trustee for deposit in the Debt Service Reserve Fund, moneys, Government Obligations or Exempt Obligations, the value of which is at least equal to the Debt Service Reserve Fund Requirement. The Corporation agrees that it will at all times maintain on deposit in the Debt Service Reserve Fund an amount at least equal to the Debt Service Reserve Fund Requirement; provided that the Corporation shall be required to deliver moneys, Government Obligations or Exempt Obligations to the Trustee for deposit in such fund as a result of a deficiency therein only upon receipt of the notice of such deficiency required by the Resolution.

Notwithstanding the foregoing, the Corporation may deliver to the Trustee for deposit to the Debt Service Reserve Fund, letters of credit, surety bonds, or insurance policies for all or any part of the Debt Service Reserve Fund Requirement in accordance with and to the extent permitted by the Resolution.

If the Corporation pursuant to the Agreement, has deposited Securities in the Building and Equipment Reserve Fund, the Corporation shall at all times maintain on deposit therein Securities the value of which is not less than the Building and Equipment Reserve Fund Requirement; provided that the Corporation shall be required to deliver additional Securities to the Trustee for deposit in the Building and Equipment Reserve Fund as a result of a deficiency therein only upon receipt of a notice thereof given pursuant to the Resolution. Deposits, withdrawals and substitutions of Securities in the Building and Equipment Reserve Fund shall be made in accordance herewith and with the Resolution.

The delivery to the Trustee of Government Obligations, Exempt Obligations or other Securities from time to time made by the Corporation to the Trustee pursuant to the Agreement shall constitute a pledge of and shall create a security interest therein for the benefit of the Authority to secure performance of the Corporation's obligations under the Agreement and under any Mortgage and for the benefit of the Trustee to secure the performance of the obligations of the Authority under the Resolution. The Corporation authorizes the Authority pursuant to the Resolution to pledge such Government Obligations, Exempt Obligations or other Securities to secure payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Bonds, whether at maturity, upon acceleration or otherwise, and the reasonable fees and expenses of the Trustee, and to make provision for and give directions with respect to the custody, reinvestment and disposition thereof in any manner not inconsistent with the terms of the Agreement and of the Resolution.

All Government Obligations, Exempt Obligations or other Securities deposited with the Trustee pursuant to the Agreement for deposit to the Debt Service Reserve Fund or the Building and Equipment Reserve Fund shall be fully negotiable (subject to provisions for registration thereof) and the principal thereof and the interest, dividends or other income payable with respect thereto shall be payable to bearer or to the registered owner. All Government Obligations, Exempt Obligations or other Securities in registered form shall be registered in the name of the Trustee (in its fiduciary capacity) or its nominee. Record ownership of all Government Obligations, Exempt Obligations or other Securities shall be

transferred promptly following their delivery to the Trustee into the name of the Trustee (in its fiduciary capacity) or its nominee. The Corporation appoints the Trustee its lawful attorney-in-fact for the purpose of effecting such registrations and transfers.

The Corporation agrees that upon each delivery to the Trustee of Government Obligations, Exempt Obligations or other Securities, whether initially or upon later delivery or substitution, the Corporation shall deliver to the Authority and the Trustee a certificate of an Authorized Officer of the Corporation to the effect that the Corporation warrants and represents that the Government Obligations, Exempt Obligations or other Securities delivered by the Corporation (i) are on the date of delivery thereof free and clear of any lien, pledge, charge, security interest or other encumbrance or any statutory, contractual or other restriction that would be inconsistent with or interfere with or prohibit the pledge, application or disposition of such Government Obligations, Exempt Obligations or other Securities as contemplated by the Agreement or the Resolution and (ii) are pledged under the Agreement pursuant to appropriate corporate action of the Corporation duly had and taken.

If the Corporation is not in default under the terms of the Agreement, any amount in the Building and Equipment Reserve Fund may be applied to defray costs, other than of ordinary maintenance and repair, of renewing, repairing, replacing, renovating or improving a Project, but only in accordance with the Resolution and on terms and conditions approved by an Authorized Officer of the Authority. In the event of a withdrawal from the Building and Equipment Reserve Fund pursuant to the Resolution, the Corporation shall, within five (5) days after receipt of notice from the Trustee of such withdrawal, pay the amount of such withdrawal to the Trustee for deposit in the Building and Equipment Reserve Fund. In the event of a withdrawal from the Building and Equipment Reserve Fund other than pursuant to the Resolution, the Corporation shall pay one-sixth (1/6) of the amount of such withdrawal to the Trustee for deposit in the Building and Equipment Reserve Fund on the tenth (10th) day of each June and December commencing on the first such date immediately following such withdrawal until such withdrawal has been repaid or until the amount on deposit in the Building and Equipment Reserve Fund equals the Building and Equipment Reserve Fund Requirement. Such payments may be made by delivering to the Trustee for deposit in the Building and Equipment Reserve Fund Securities valued as of a date not more than five (5) days prior to the delivery thereof in accordance with the Resolution at not less than the amount of the payment then to be made.

Prior to the initial delivery of Government Obligations, Exempt Obligations or other Securities to the Trustee pursuant to the Agreement, and upon any later delivery or substitution (provided, however, for purposes of this subdivision, substitution shall not be deemed to include open market transactions for Securities within the Building and Equipment Reserve Fund), the Corporation will, at its cost and expense, provide to the Authority and the Trustee a written opinion of counsel satisfactory to an Authorized Officer of the Authority to the effect that the Corporation has all requisite corporate power and authority to pledge and deliver to the Trustee as security such Government Obligations, Exempt Obligations or other Securities for deposit in accordance herewith, such Government Obligations, Exempt Obligations or other Securities have been duly and legally delivered by the Corporation to the Trustee, such delivery constitutes a valid and binding pledge thereof in accordance with the terms of the Agreement and the Resolution and will perfect the security interest created in favor of the Trustee and the Authority under the Agreement in all of the Corporation's right, title and interest in such Government Obligations, Exempt Obligations or other Securities (provided, however, that no opinion need be expressed as to the authorization, issuance, or validity or assessability of any such Government Obligations, Exempt Obligations or other Securities), and, based upon inquiries of appropriate officers and other representatives of the Corporation, nothing has come to the attention of such counsel which would lead it to believe that the Government Obligations, Exempt Obligations or other Securities delivered by the Corporation are not free and clear of all liens, pledges, encumbrances and security interests or are subject to any statutory, contractual or other restrictions, any of which would invalidate or

render unenforceable the pledge and security interest therein, or the application or disposition thereof, contemplated by the Agreement or by the Resolution. In lieu of providing a written opinion of counsel to the Corporation as required by the Agreement after every substitution of Government Obligations, Exempt Obligations or other Securities in the Building and Equipment Reserve Fund, the Corporation may provide such written opinion of counsel after the first substitution provided that it shall furnish to the Authority and the Trustee, once in every calendar quarter (in the first week of each January, April, July and October) thereafter in which a substitution is made, a further written opinion of counsel to the Corporation to the effect that all Government Obligations, Exempt Obligations or other Securities deposited into any fund or account established under the Resolution, to and including the date of such opinion of counsel, comply with the requirements of this paragraph.

(Section 11)

Security Interest in Pledged Revenues

As security for the payment of all liabilities, and the performance of all obligations, of the Corporation under the Agreement, the Corporation does continuously pledge, grant a security interest in, and assign to the Authority the Pledged Revenues, together with the Corporation's right to receive and collect the Pledged Revenues and the proceeds of the Pledged Revenues, and of such right.

The Corporation represents and warrants that no part of the Pledged Revenues, the right to receive or collect the same or the proceeds thereof is subject to any lien, pledge, security interest or assignment, and that the Pledged Revenues are legally available to provide security for the Corporation's performance under the Agreement. The Corporation agrees that it shall not hereafter create or permit the creation of any pledge, assignment, encumbrance, restriction, security interest in or other commitment of or with respect to the Pledged Revenues which is prior or equal to the pledge, assignment and security interest made or granted by the Agreement.

The Corporation further agrees that the Pledged Revenues (i) shall be stated separately in billing or shall be allocated as such by the Corporation from the aggregate fees and charges imposed on students, (ii) shall be separately identified on the records of the Corporation, and (iii) shall be accounted for separate and apart from any other fees or charges imposed by the Corporation.

(Section 12)

Collection of Pledged Revenues

Subject to the provisions of the Agreement, commencing on the date on which the Bonds are first issued and delivered and continuing until no Bonds are Outstanding, the Corporation shall deliver to the Trustee for deposit in accordance with the Resolution all Pledged Revenues within ten (10) days following the Corporation's receipt thereof unless and until there is on deposit in the Debt Service Fund an amount at least equal to the sum of (i) the interest coming due on or prior to the earlier of the next succeeding January 1 or July 1, (ii) the principal and Sinking Fund Installments of Outstanding Bonds payable on and prior to the next succeeding July 1, and (iii) the Redemption Price or purchase price of Outstanding Bonds theretofore called for redemption or contracted to be purchased, and accrued interest thereon to the date of redemption or purchase. In the event that, pursuant to the Agreement, the Authority notifies the Corporation that account debtors are to make payments directly to the Authority or to the Trustee, such payments shall be made directly to the Authority or the Trustee notwithstanding anything contained in the Agreement, but the Corporation shall continue to deliver to the Trustee for deposit in accordance with the Resolution any payments received by the Corporation with respect to the Pledged Revenues.

Notwithstanding anything to the contrary in the Agreement, in the event that, on or prior to the date on which a payment is to be made pursuant to the Agreement on account of the principal, Sinking Fund Installments or Redemption Price or interest on Outstanding Bonds or to maintain the Debt Service Reserve Fund or the Building and Equipment Reserve Fund at their respective requirements, the Corporation has made such payment from its general funds or from any other money legally available to it for such purpose, the Corporation shall not be required solely by virtue of the above paragraph, to deliver Pledged Revenues to the Trustee.

Any Pledged Revenues collected by the Corporation that are not required to be paid to the Trustee pursuant to the Agreement shall be free and clear of the security interest granted by the Agreement and may be disposed of by the Corporation for any of its corporate purposes provided that no Event of Default (as defined in the Agreement) nor any event which but for the passage of time or the receipt of notice or both would be an Event of Default has occurred and is continuing.
(Section 13)

The Mortgage and Assignment of Operating Agreement; Lien on Fixtures, Furnishings and Equipment

At or before the delivery by the Authority of the Series 2004 Bonds, the Corporation shall execute and deliver to the Authority (A) a Mortgage or Mortgages in recordable form mortgaging (i) the Corporation's fee interest in and to the land commonly known as 406 West 31st Street, in the City, County and State of New York, and the buildings and improvements thereon and the fixtures, furnishings and equipment owned by the Corporation and then or thereafter located therein or thereon, and (ii) the leasehold estate of the Corporation in and to the Leased Property granted to the Corporation in the Agreement; and (B) an assignment or other similar instrument, acceptable to an Authorized Officer of the Authority, assigning all of the Corporation's rights under the Operating Agreement and all security interests granted by FIT to the Corporation under the Operating Agreement to the Authority. At or before the delivery by the Authority of the Series 2007 Bonds, the Corporation shall execute and deliver to the Authority (A) a Mortgage or Mortgages in recordable form mortgaging (i) the Corporation's fee interest in and to the land commonly known as 406 West 31st Street, in the City, County and State of New York, and the buildings and improvements thereon and the fixtures, furnishings and equipment owned by the Corporation and then or thereafter located therein or thereon, and (ii) the leasehold estate of the Corporation in and to the Leased Property granted to the Corporation in the Agreement; and (B) an assignment or other similar instrument, acceptable to an Authorized Officer of the Authority, assigning all of the Corporation's rights under the Operating Agreement and all security interests granted by FIT to the Corporation under the Operating Agreement to the Authority.

Prior to any assignment of a Mortgage to the Trustee, with the prior consent of the Authority but without the consent of the Trustee or the Holders of a Series of Bonds, such Mortgage and the security interest in any fixtures, furnishings or equipment located in or on or used in connection with the Mortgaged Property, may be amended, modified, terminated or satisfied and the property subject to such Mortgage and such security interest may be released from the lien thereof or other property may be substituted for all or part of the property subject to such Mortgage or such security interest, upon such terms and conditions as the Authority may require, provided, however, the building located at 406 West 31st Street, in the City, County and State of New York, shall not be released from the lien of the Mortgage covering said property unless (i) the Corporation substitutes therefor as part of the Mortgaged Property other real property acceptable to the Authority or grants to the Authority a security interest in and delivers to the Authority Government Obligations, Exempt Obligations or other Securities, and the fair market value of such real property or Government Obligations, Exempt Obligations or other Securities is at the time of such release at least equal to the fair market value of the property released from the lien of the Mortgage, (ii) the Corporation provides the Authority with such information or other

evidence of the fair market value of such real property or Government Obligations, Exempt Obligations or other Securities as may be reasonably required by the Authority, and (iii) all certificates of occupancy required in connection with the use and occupancy of the substituted real property shall have been issued. (*Section 14*)

Use of a Project and Mortgaged Property

Except as expressly permitted under the Agreement, the Corporation agrees that, unless in the opinion of Bond Counsel the use or occupancy of a Project other than as required by the Agreement would not adversely affect the exclusion of interest on the Bonds from federal income taxes pursuant to Section 103 of the Code, or is not prohibited by or inconsistent with the provisions of law or the Resolution, such project shall be occupied or used primarily by or for students, members of the faculty or members of the staff of the Corporation and FIT, or, on a temporary basis, by persons connected with educational, research or other activities incidental to the operations of FIT, subject to and consistent with the requirements of the Agreement and the Tax Certificate.

Except as expressly permitted under the Operating Agreement and the Agreement, and subject to the rights, duties and remedies of the Authority under the Agreement, the Corporation shall have sole and exclusive control of, possession of and responsibility for (i) any Project and any Mortgaged Property; (ii) the operation of such Project and any Mortgaged Property and supervision of the activities conducted therein or in connection with any part thereof; and (iii) the maintenance, repair and replacement of such Project and any Mortgaged Property.

The Corporation shall adopt or cause to be adopted and enforce or cause to be enforced reasonable regulations for the care of a Project and any Mortgaged Property and the conduct of users thereof to effectuate the provisions of the Agreement.

The Corporation shall not use or occupy or permit a Project or any Mortgaged Property to be used or occupied nor do or permit anything to be done in or to a Project or any Mortgaged Property, in whole or in part, in a manner which would in any way violate any certificate of occupancy affecting a Project or any Mortgaged Property, or make void or voidable any insurance then in force with respect thereto, or which may make it impossible to obtain fire or other insurance thereon required to be furnished by the Corporation under the Agreement, or which will cause structural injury to a Project or any Mortgaged Property or any part thereof, or which will constitute a public or private nuisance, and shall not use or occupy or permit a Project or any Mortgaged Property to be used or occupied, in whole or in part, in a manner which may violate any present or future, ordinary or extraordinary, foreseen or unforeseen laws, regulations, ordinances or requirements of the federal, state or municipal governments, or of any departments, subdivisions, bureaus or offices thereof, or of any other governmental, public or quasi-public authorities now existing or hereafter created, having jurisdiction of a Project or any Mortgaged Property. The Corporation, to the extent permitted by law, indemnifies, agrees to defend and holds the Authority harmless from and against any damage, loss, cost or expense (including but not limited to reasonable attorneys' fees) which the Authority may incur as a result of the Corporation's breach of the provisions of the Agreement, or by reason of any actions or proceedings which may be brought against the Authority or against a Project or any Mortgaged Property, or any part thereof, by virtue of any such laws, regulations, ordinances or requirements or by virtue of any present or future law of the United States of America, the State of New York or The City of New York, or other municipal, public or quasi-public authority now existing or hereafter created, having jurisdiction of a Project or any Mortgaged Property.

The Corporation has leased the Leased Property after a full and complete examination thereof, as well as the title thereto and knowledge of its present uses and non-uses. The Corporation accepts the

same in their present condition and state without any representation or warranty, express or implied in fact or by law, by the Authority, without recourse to the Authority, as to the title thereto, the nature, condition or usability thereof or the use or uses to which the Leased Property or any part thereof may be put. The Authority shall not be required to furnish any services, utilities, or facilities or to make any repairs or alterations in or to the Leased Property, whether ordinary or extraordinary, throughout the Term of the Agreement, the Corporation assuming the full and sole responsibility for the condition, construction, operation, repair, maintenance or management of the Leased Property.

(Section 21)

Maintenance, Repair and Replacement

The Corporation agrees that, throughout the Term of the Agreement, it shall, at its own expense, hold, operate and maintain the Projects and the Mortgaged Property in a careful, prudent and economical manner, and keep the same, with the appurtenances and every part and parcel thereof, in good repair, working order and condition and shall from time to time make all necessary and proper repairs, replacements and renewals so that at all times the operation of the Projects and the Mortgaged Property may be properly and advantageously conducted. When used under this heading, the term “repairs” shall include replacements, additions or renewals, when necessary, and all such repairs shall be at least equal in quality and class to the original work or property, as the case may be, and shall be of such character as is appropriate for buildings of the construction, age and class of the buildings then on the Projects and the Mortgaged Property. The Corporation shall not do or permit or suffer any waste. All water, sewer, electric, phone and other utilities in and to the Projects and any Mortgaged Property shall be procured and/or maintained by the Corporation, as aforesaid.

The Corporation shall not make any material change or alteration of a structural nature in or to a Project and any Mortgaged Property without the prior written consent of an Authorized Officer of the Authority.

In addition, the Corporation shall not make any nonstructural change, alteration or improvement in or on a Project or any Mortgaged Property involving a cost of more than \$75,000 (as estimated by an architect approved by an Authorized Officer of the Authority, selected and retained by the Corporation at its own expense) without first obtaining the written consent of an Authorized Officer of the Authority thereto in each case. The written consent of an Authorized Officer of the Authority, if given, shall be for that instance alone, and such consent shall be required for each and every further change, alteration or improvement.

Where the Authority’s written consent has been obtained, no change, alteration or improvement shall be made until detailed plans and specifications and the cost estimate therefor (prepared by the architect approved by an Authorized Officer of the Authority, selected and retained by the Corporation) shall have been delivered to and approved in writing by an Authorized Officer of the Authority. Such approval shall be deemed to have been given if reasonably detailed disapproval has not been delivered to the Corporation within thirty (30) days after receipt by the Authority of the plans and specifications. As a condition to giving its consent to the making of any non-structural change, alteration or improvement by the Corporation involving a cost of more than \$75,000, the Authority may, among other things, require that the Corporation furnish the Authority with a surety company bond or other security reasonably satisfactory to an Authorized Officer of the Authority, in an amount at least equal to the estimated cost of such change, alteration or improvement, guaranteeing the completion and payment of the cost thereof free and clear of all liens, conditional bills of sale, chattel mortgages and title retention documents. The form and content of such surety company bond and the identity of the company issuing such bond shall be reasonably satisfactory to an Authorized Officer of the Authority. The Corporation shall have the right to remove or replace any type of fixtures, furnishings and equipment in a Project or any Mortgaged Property

which may have been financed by the proceeds of the sale of Bonds provided the Corporation substitutes for any removed or replaced fixtures, furnishings and equipment, additional fixtures, furnishings and equipment having equal or greater value and utility than the fixtures, furnishings and equipment so removed or replaced.

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

The Authority shall have the right to enter upon, inspect and examine a Project or any Mortgaged Property at any time during reasonable hours with reasonable notice in advance.

(Section 23)

Covenant as to Insurance

The Corporation, at its sole cost and expense, 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 similar to the Corporation.

In the event the Corporation fails to provide, or fails to cause to be provided, the required insurance, the Authority may elect at any time thereafter to procure and maintain the required insurance at the expense of the Corporation.

(Section 24)

Damage or Condemnation

In the event of a taking of a Project or any Mortgaged Property or any portion thereof by eminent domain or of condemnation, damage or destruction affecting all or part of such Project or any Mortgaged Property, then and in such event the entire proceeds of any insurance, condemnation or eminent domain award shall be paid upon receipt thereof by the Corporation or the Authority to the Trustee for deposit in the Construction Fund, and

(a) if within 120 days from the receipt by the Authority of actual notice or knowledge of the occurrence, the Corporation has decided that the Project, any Mortgaged Property or the affected portion thereof shall be repaired or restored, the Corporation shall proceed to repair or restore the Project, any Mortgaged Property or the affected portion thereof, including all fixtures, furniture, equipment and effects, to its original condition insofar as possible with such changes and additions as shall be appropriate to the needs of the Corporation and approved in writing by an Authorized Officer of the Authority. The funds required for such repair or restoration shall be paid from time to time as the work progresses, subject to such conditions and limitations as the Authority may reasonably impose, from the proceeds of insurance, condemnation or eminent domain awards received by reason of such occurrence and to the extent such proceeds are not sufficient, from the Building and Equipment Reserve Fund or funds to be provided by the Corporation; or

(b) if within the 120 day period set forth in (a) above, the Corporation has not decided to repair or restore the Project, any Mortgaged Property or the affected portion thereof or if no agreement for replacement of the Project, any Mortgaged Property or the affected portion thereof shall be reached by the Authority and the Corporation within such 120 day period, all respective proceeds (other than the proceeds of builders' risk insurance which shall be deposited pursuant to the Resolution) shall be

delivered to the Trustee for deposit to the Debt Service Fund for application at the direction of the Authority.

(Section 25)

Defaults and Remedies

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

(a) the Corporation shall default in the timely payment of any amount payable pursuant to the Agreement or in the delivery of Securities or the payment of any other amounts required to be delivered or paid in accordance with the Agreement or with the Resolution, and such default continues for a period in excess of seven (7) days;

(b) the Corporation defaults in the due and punctual performance of any other covenant in the Agreement 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;

(c) as a result of any default in payment or performance required of the Corporation or any Event of Default under the 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;

(d) an Event of Default under the Agreement of Lease or the Operating Agreement has occurred and is continuing or the Agreement of Lease or the Operating Agreement has been declared to be invalid, void, voidable or unenforceable in any material respect;

(e) the Corporation shall be in default under any Mortgage and such default continues beyond any applicable grace period;

(f) the Corporation shall be generally not paying its debts as they become due, 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, make a general assignment for the benefit of its general creditors, 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, be adjudicated insolvent or be liquidated or take corporate action for the purpose of any of the foregoing;

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

(h) the charter of the Corporation shall be suspended or revoked;

(i) a petition to dissolve the Corporation shall be filed by the Corporation with the legislature of the State of New York or other governmental authority having jurisdiction over the Corporation;

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

(k) 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 Corporation which petition shall remain undismissed or unstayed for an aggregate of ninety (90) days;

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

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

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 Corporation under the 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 Corporation may otherwise be entitled under the 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 Agreement;

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

(e) direct or request the Trustee to liquidate all or any portion of the assets of the Debt Service Reserve Fund and the Building and Equipment Reserve Fund by selling the same at public or private sale in any commercially reasonable manner and apply the proceeds thereof and any dividends or interest received on investments thereof to the payment of the principal, Sinking Fund Installment, if any, or redemption price of and interest on the Bonds, or any other obligation or liability of the Corporation or the Authority arising from the Agreement or from the Resolution;

(f) at any time discontinue any work commenced in respect of the construction of a Project or change any course of action undertaken by it or by the Corporation and not be bound by any limitations or requirements of time whether set forth in the Agreement or otherwise;

(g) terminate the Agreement on five (5) days' notice to the Corporation and, upon the expiration of such five (5) day period, the Corporation shall quit, vacate and surrender the Leased Property to the Authority, the Agreement and the term and estate granted by the Agreement shall expire and terminate as fully and completely and with the same force and effect as if the day so specified were the date fixed by the Agreement for the expiration of the Term of the Agreement and all rights of the Corporation under the Agreement shall expire and terminate, but the Corporation shall remain liable for damages as provided in the Agreement;

(h) realize upon any security interest which the Authority may then have in the pledge and assignment of the Pledged Revenues and the rights to receive the same, all to the extent provided in the Agreement and to the extent permitted by applicable law, by any one or more of the following actions: enter the Corporation and examine and make copies of the financial books and records relating to the Pledged Revenues and, to the extent of the assigned Pledged Revenues, take possession of all checks or other orders for payment of money and moneys in the possession of the Corporation representing Pledged Revenues or proceeds thereof; notify any account debtors obligated on any Pledged Revenues to make payment directly to the Authority or to the Trustee, as the Authority may direct, and the amount to be so paid; provided, however, that the Authority may, in its discretion, immediately collect the entire amount of interest, principal or Sinking Fund Installments, if any, coming due with respect to Outstanding Bonds on or prior to the next interest payment date thereof, and may continue to do so commencing on each interest payment date of Outstanding Bonds, to the extent of amounts due on such Bonds on the next interest payment date thereof, with respect to the Pledged Revenues, until such amounts are fully collected; provided, however, the written notice of such notification shall be mailed to the Corporation five (5) days prior to mailing or otherwise making such notification to account debtors, and provided further that until the Corporation shall receive such notice it shall have full authority and responsibility to enforce and collect Pledged Revenues owing from its account debtors; following the above-mentioned notification to account debtors, collect, compromise, settle, compound or extend amounts payable as Pledged Revenues which are in the form of accounts receivable or contract rights from the Corporation's account debtors by suit or other means and give a full acquittance therefor and receipt therefor in the name of the Corporation whether or not the full amount of any such account receivable or contract right owing shall be paid to the Authority or the Trustee as the Authority may direct; require the Corporation to deposit all moneys, checks or other orders for the payment of money which represent Pledged Revenues in an amount equal to the Pledged Revenues assigned under the Agreement within five (5) business days after receipt of written notice of such requirement, and thereafter as received, into a fund or account to be established for such purpose by the Authority, provided that the moneys in such fund or account shall be applied by the Authority to the payment of any of the obligations of the Corporation under the Agreement including the fees and expenses of the Authority, and provided further that the Authority in its sole discretion may authorize the Corporation to make withdrawals from such fund or account for its corporate purposes, and provided further that the requirement to make such deposits shall cease and the balance of such fund or account shall be paid to the Corporation when all Events of Default under the Agreement by the Corporation have been cured; forbid the Corporation to extend, compromise, compound or settle any accounts receivable or contract rights which represent any unpaid assigned Pledged Revenues, or release, wholly or partly, any person liable for the payment thereof (except upon receipt of the full amount due) or allow any credit or discount thereon; endorse in the name of the Corporation any checks or other orders for the payment of money representing any unpaid assigned Pledged Revenues or the proceeds thereof;

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

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

(k) take or refrain from taking such action under the Agreement as the Authority may from time to time determine.

If the Agreement terminates as provided in under this heading or by summary proceedings or otherwise, the Authority may (but shall not be obligated to):

(a) re-enter and resume possession of the Leased Property and (except as provided in the Agreement) remove all persons and property therefrom either by summary proceedings or by a suitable action or proceeding, at law or in equity, or by force or otherwise, without being liable for any damage therefor, and may have, hold and enjoy the Leased Property and the right to receive all rental and other income of and from the Leased Property; and

(b) relet the whole or any part of the Leased Property, for the account of the Authority or otherwise, for a period equal to, greater or less than the remainder of the Term of the Agreement, at such rental and upon such terms and conditions as the Authority shall deem reasonable, to any tenant if it may deem suitable and for any use and purpose it may deem appropriate. The Authority shall not be liable in any respect for failure to relet the Leased Property or, in the event of such reletting, for failure to collect the rent thereunder and any sums received by the Authority on a reletting.

If the Agreement terminates as provided under this heading or by summary proceedings or otherwise, the Authority shall be entitled to recover from the Corporation as damages:

(a) (i) an amount equal to all expenses incurred by the Authority in recovering possession of the Leased Property and in connection with the reletting of the Leased Property, including the cost of repairing, renovating, or remodeling the Leased Property and any broker's commissions incurred by the Authority in reletting the Leased Property, which amounts shall be due and payable by the Corporation to the Authority at such time or times as they shall have been incurred; and (ii) an amount equal to the fixed net rent and other payments required under the Agreement less the net rent collected by the Authority on reletting the Leased Property, and less the amount collected by the Authority from tenants occupying space at the Leased Property, which amount shall be due and payable on the several days on which such fixed net rent other payments required under the Agreement would have become due and payable had the Agreement not terminated; or

(b) at the Authority's election, in lieu of the amounts which may be recovered under the provisions of paragraph (a) above, the amount determined by the Authority to be necessary to be deposited with the Trustee in order for the Outstanding Bonds to be deemed to have been paid in accordance with the provisions of the Resolution, plus the amount determined by the Authority to be then owed by the Corporation to the Authority for any fees and expenses of the Authority and pursuant to any indemnity under the Agreement; and

(c) in addition to the amounts which may be recovered under paragraph (a) or (b) above, an amount equal to the cost (i) of performing any work required to be done by the Corporation under the Agreement, and all damages resulting from the Corporation's default in performing such work and (ii) of placing the Leased Property in the same condition as that in which the Corporation is required to surrender it to the Authority under the Agreement.

Nothing contained in the Agreement shall be construed as limiting or precluding the Authority's recovery against the Corporation of any damages to which the Authority may lawfully be entitled in any case other than those particularly provided for above. Nothing contained in the Agreement shall limit or restrict the Authority's rights or remedies under any Mortgage.

The Corporation consents that the Authority shall be entitled to institute separate suits or actions or proceedings for the recovery of any amount or amounts recoverable under the Agreement or otherwise and that nothing contained in the Agreement shall be deemed to require the Authority to postpone suit until the date when the Term of the Agreement would have expired if it had not been terminated under the provisions of the Agreement or under any provisions of law or had the Authority not re-entered the Leased Property, and the Corporation waives the right to enforce or assert the rule against splitting a cause of action as a defense thereto.

The Corporation, for itself and for all persons claiming through or under it (including creditors of all kinds), waives and surrenders any and all rights which are or may be conferred upon the Corporation by any present or future law to redeem the Leased Property or to have a continuance for the term demised by the Agreement after a warrant to dispose shall have been executed or after judgment in an action of ejectment shall have been made and entered.

The words "re-enter" and "re-entry", as used under this heading, are not restricted to their technical legal meaning.

The Corporation hereby waives the service of any notice in writing by the Authority of its intention to re-enter the Leased Property, except as otherwise expressly provided in the Agreement.

Notwithstanding such re-entry by the Authority, the Corporation agrees that any utility services theretofore furnished by the Corporation to the Leased Property shall continue to be furnished by the Corporation to the Leased Property at the sole cost of the Corporation until the events that would have terminated the Agreement and the term of the Agreement occur had there been no default under the Agreement.

Notwithstanding any other provisions of the Agreement to the contrary, if the Leased Property or any part thereof is subject to or occupied by any entity other than the Corporation, in the event of the Corporation's default under the Agreement, the Authority may and is empowered (but is not obligated) by the Agreement, at any time from and after the date the Authority is entitled to serve a lease termination notice upon the Corporation to (i) collect amounts due under the Operating Agreement directly so long as such default or any other default under the Agreement shall continue, (ii) apply such amounts to the curing of any default under the Agreement in any order or priority the Authority may elect and (iii) apply any unexpected balance of such collected amounts against any rental obligations subsequently becoming due under the Agreement.

Upon re-entering the Leased Property the Authority shall, as soon as practicable, inspect the Leased Property and check any inventories of fixtures, furniture equipment and effects in the Leased Property. The Corporation shall pay to the Authority upon receipt of properly executed vouchers therefor all sums owing to the Authority by the Corporation.

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

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

(Section 31)

Arbitrage

The Corporation covenants that it shall not take any action or inaction, nor fail to take any action or permit any action to be taken, if any such action or inaction would adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Bonds under Section 103 of the Code. Without limiting the generality of the foregoing, the Corporation covenants that it will comply with the instructions and requirements of the Tax Certificate, which is incorporated in the Agreement as if set forth fully in the Agreement. The Corporation (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 Corporation by the Authority. The Corporation will, on a timely basis, provide the Authority with all necessary information and, with respect to the Corporation's Rebate Requirement or Yield Adjustment Payment (as defined in the Tax Certificate and Agreement) required to be paid, funds not in the Authority's possession, to enable the Authority to comply with the arbitrage and rebate requirements of the Code as identified in the Resolution.

(Section 36)

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**SUMMARY OF CERTAIN PROVISIONS
OF THE OPERATING AGREEMENT**

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SUMMARY OF CERTAIN PROVISIONS OF THE OPERATING AGREEMENT

The following is a summary of certain provisions of the Operating Agreement. This does not purport to be complete and reference is made to the Operating Agreement for full and complete statement of each of its provisions. Except as noted, defined terms used in this Appendix have the meanings ascribed to them in Appendix A. Unless otherwise indicated, references to section numbers refer to sections in the Operating Agreement. In this Appendix D, the term (“Bonds”) refers to the Series 2004 Bonds and the Series 2007 Bonds.

Termination

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

Notwithstanding anything contained in the Operating Agreement, the Operating Agreement is terminable on foreclosure of the Agreement at the option of the Authority or its successors or assigns under the Agreement.

(Section 30)

Financial Obligations of FIT

Except to the extent that moneys are available therefor under the Operating Agreement or under the Resolution or the Agreement, including moneys in the Debt Service Fund, but excluding moneys from the Debt Service Reserve Fund or the Building and Equipment Reserve Fund and excluding interest accrued but unpaid on investments held in the Debt Service Fund, FIT unconditionally agrees to pay for the Project, during the Term of the Operating Agreement, to or upon the order of the Corporation, from any moneys legally available to it:

(a) On December 10, 2004, and on each December 10 thereafter, (i) the amount of interest coming due on the Bonds on the next succeeding January 1, (ii) commencing December 10, 2004, one-half of the amount of the Sinking Fund Installment, if any, coming due on the Bonds on the next succeeding July 1, and (iii) commencing December 10, 2004, one-half of the principal amount, if any, coming due on the Bonds on the next succeeding July 1;

(b) On June 10, 2005 and on each June 10 thereafter (i) the amount of interest coming due on the Bonds on the next succeeding July 1, and the balance of (ii) commencing June 10, 2005, the amount of the Sinking Fund Installment, if any, coming due on the Bonds on the next succeeding July 1, and of (iii) commencing June 10, 2005, the principal amount, if any, coming due on the Bonds on the next succeeding July 1;

(c) At least forty-five (45) 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;

(d) As may be required by the terms of the Agreement or the Resolution for deposit in the Building and Equipment Reserve Fund, such amount as necessary to make the amount therein equal to the Building and Equipment Reserve Fund Requirement. Payments required to be made pursuant to this paragraph may be made by delivery to the Trustee for deposit in the Building and Equipment Reserve Fund of Securities valued, as of a date not more than five (5) days prior to the delivery thereof, in accordance with the Resolution at not less than the payment then to be made;

(e) On December 10 and June 10 in each Bond Year after the Bond Year in which the Bonds are issued, an amount equal to one half (1/2) of the Annual Administrative Fee with respect to the Bonds;

(f) Promptly after notice from the Authority, but in any event not later than five (5) 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 certain payments made pursuant to the Agreement and any expenses or liabilities incurred by the Authority pursuant to the Agreement, (iii) to reimburse the Authority for any external costs or expenses attributable to the issuance of the Bonds or the financing or construction of the Project, (iv) for the costs and expenses incurred to compel full and punctual performance of all the provisions of the Agreement and the Resolution in accordance with the terms thereof, and (v) for the fees and expenses of the Trustee and any Paying Agent and reasonable attorney fees in connection with performance of their duties under the Resolution;

(g) Promptly upon demand by an Authorized Officer of the Corporation, all amounts required to be paid by FIT as a result of an acceleration pursuant to the Operating Agreement;

(h) Promptly upon demand by an Authorized Officer of the Corporation, the difference between the amount on deposit in the Arbitrage Rebate Fund available to be rebated in connection with the Bonds or otherwise available therefor under the Resolution and the amount required to be rebated or otherwise paid to the Department of the Treasury of the United States of America in accordance with the Code in connection with the Bonds; and

(i) 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 required for the payment of principal or Sinking Fund Installments of, or interest on, Bonds due and payable on such interest payment date, the amount of such deficiency.

Subject to the provisions of the Operating Agreement and of the Resolution and the Agreement, FIT shall receive a credit against the amounts required to be paid by FIT during a Bond Year pursuant to this paragraph on account of (i) any amounts set aside from capitalized interest for the payment of interest and principal, if any, during construction of the Project and immediately thereafter, and (ii) any rents and room charges received by FIT on behalf of the Corporation. The amount of the credit shall be equal to the aggregate amount of the payments made to the Corporation pursuant to the preceding sentence.

The Corporation directs FIT, and FIT covenants and agrees, to make certain payments required by the Operating Agreement directly to the Trustee for deposit and application in accordance with the Resolution and certain other payments required by the Operating Agreement directly to the Authority.

Notwithstanding any provisions in the Operating Agreement or in the Resolution to the contrary (except as otherwise specifically provided in the Operating Agreement), all moneys paid by FIT to the Trustee pursuant to the Operating Agreement or otherwise held by the Trustee shall be applied in reduction of the Corporation's indebtedness to the Authority under the 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. 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.

The obligations of FIT to make payments or cause the same to be made under the Operating 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 FIT may otherwise have against the Corporation, the Authority, the Trustee or any Holder of the Bonds for any cause whatsoever including, without limiting the generality of the foregoing, failure of the Corporation to complete the Project or the completion thereof with defects, failure of the Corporation to occupy or use the Project, any declaration or finding that the Bonds are, or the Resolution or the Agreement is, invalid or unenforceable or any other failure or default by the Corporation, the Authority, or the Trustee; provided, however, that nothing in the Operating Agreement shall be construed to release the Corporation from the performance of any agreements on its part in the Operating Agreement contained or any of its other duties or obligations, and in the event the Corporation shall fail to perform any such agreement, duty or obligation, FIT may institute such action as it may deem necessary to compel performance or recover its damages for non-performance.

The Operating Agreement and the obligations of FIT to make payments under the Operating Agreement are general obligations of FIT.

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

The Corporation shall have the right in its sole discretion to make on behalf of FIT any payment required under this heading which has not been made by FIT when due. No such payment by the Corporation shall limit, impair or otherwise affect the rights of the Corporation under the Operating Agreement arising out of FIT's failure to make such payment and no payment by the Corporation shall be construed to be a waiver of any such right or of the obligation of FIT to make such payment.

FIT shall pay its obligations under the Operating Agreement in lawful money of the United States which shall be legal tender for the payment of all debts, public and private, at the time of payment.

The Operating Agreement shall be deemed and construed to be "net" and FIT shall pay to the Corporation, absolutely net throughout the Term of the Operating Agreement, its obligations and other payments under the Operating Agreement, free of any charges, occupancy or use taxes, personal property taxes, excise taxes, assessments, impositions or deductions of any kind and without any abatement, counterclaims, deduction or set-off, and under no circumstances or conditions, whether now existing or hereafter arising, or whether beyond the present contemplation of the parties, shall the Corporation be

expected or required to make any payment of any kind whatsoever or be under any other obligation or liability under the Operating Agreement except as otherwise expressly set forth in under the Operating Agreement.

(Section 7)

Room Rents and Charges

As security for the payment of all liabilities, and the performance of all obligations, of FIT under the Operating Agreement, FIT assigns to the Corporation any and all rents and room charges collected by FIT on behalf of the Corporation and payable by students, faculty and staff of FIT or any other occupant, including any corporation or partnership, for the use and occupancy of the Project, together with FIT's right to receive and collect the same and the proceeds thereof and of such right. At any time after the execution and delivery of the Operating Agreement by FIT, if requested by an Authorized Officer of the Authority, FIT shall deliver to the Corporation, in recordable form, an assignment of rents or other similar instrument evidencing the assignment made by FIT to the Corporation pursuant to the preceding sentence.

If the Corporation becomes obligated under the Agreement to deliver Pledged Revenues to the Trustee, FIT agrees to make such payments to the Trustee; provided, however, that so long as the Corporation is not required to deliver Pledged Revenues to the Trustee as provided under the Agreement, then FIT shall not be obligated to make such payments to the Trustee.

(Section 8)

Tax-Exempt Status

FIT agrees that except as specifically authorized by the Operating Agreement, it shall not perform any act, enter into any agreement or use or permit the Project to be used in any manner, or for any trade or business unrelated to the purposes of FIT or the Corporation, which could adversely affect the exclusion of interest on the Bonds from federal income taxes pursuant to Section 103 of the Code. Prior to FIT performing any act, entering into any agreement or using or permitting the Project to be used for any trade or business unrelated to the purposes of FIT or the Corporation, FIT shall provide written notice to the Corporation and the Authority and shall deliver to the Corporation and the Authority an opinion of counsel satisfactory to the Corporation and the Authority to the effect that such contemplated act, agreement or use will not adversely affect the exclusion of interest on the Bonds from federal income taxes pursuant to Section 103 of the Code.

(Section 9)

Maintenance of Existence

To the extent permitted by law, FIT covenants that it will maintain its existence, will not dissolve or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into another entity or permit one or more entities to consolidate with or merge into it.

(Section 10)

Use of the Project

FIT agrees that, the use and occupancy of the Project shall comply with the provisions of the Agreement.

FIT shall adopt or cause to be adopted and enforce or cause to be enforced reasonable regulations for the care of the Project and the conduct of users thereof to effectuate the provisions of the Operating Agreement.

FIT shall not use or permit the Project to be used or occupied nor do or permit anything to be done in or to the Project, in whole or in part, in a manner which would in any way violate any certificate of occupancy affecting the Project, or make void or voidable any insurance then in force with respect thereto, or which may make it impossible to obtain fire or other insurance thereon required to be furnished by the Corporation under the Agreement, or which will cause structural injury to the Project or any part thereof, or which will constitute a public or private nuisance, and shall not use or permit the Project to be used or occupied, in whole or in part, in a manner which may violate any present or future, ordinary or extraordinary, foreseen or unforeseen laws, regulations, ordinances or requirements of the federal, state or municipal governments, or of any departments, subdivisions, bureaus or offices thereof, or of any other governmental, public or quasi-public authorities now existing or hereafter created, having jurisdiction of the Project.

(Section 11)

Maintenance, Repair and Replacement

FIT agrees that, throughout the Term of the Operating Agreement, it shall, at its own expense, operate and maintain, or cause to be operated and maintained, the Project in a careful, prudent and economical manner, and keep the same, with the appurtenances and every part and parcel thereof, in good repair, working order and condition and shall from time to time make all necessary and proper repairs, replacements and renewals so that at all times the operation of the Project may be properly and advantageously conducted. When used under this heading the term “repairs” shall include replacements, additions or renewals, when necessary, and all such repairs shall be at least equal in quality and class to the original work or property, as the case may be, and shall be of such character as is appropriate for buildings of the construction, age and class of the buildings then on the Project. Neither FIT nor the Corporation shall do or permit or suffer any waste. All water, sewer electric, phone and other utilities in and to the Project shall be procured and maintained by FIT, as aforesaid.

FIT shall not make any change or alteration of a structural nature in or to the Project without the prior written consent of an Authorized Officer of the Authority and the Corporation.

(Section 13)

Covenant as to Insurance

FIT, at its sole cost and expense 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 similar to FIT.

In the event FIT fails to provide, or fails to cause to be provided, the required insurance, the Authority or the Corporation may elect at any time thereafter to procure and maintain the required insurance at the expense of FIT.

(Section 14)

Defaults and Remedies

As used herein the term “Event of Default” shall mean:

(a) FIT shall default in the timely payment of any amount payable pursuant to the Operating Agreement or the payment of any other amounts required to be delivered or paid in accordance with the Operating Agreement, and such default continues for a period in excess of seven (7) days;

(b) FIT defaults in the due and punctual performance of any other covenant in the Operating Agreement and such default continues for thirty (30) days after written notice requiring the same to be remedied shall have been given by the Corporation, the Authority or the Trustee;

(c) as a result of any default in payment or performance required of FIT or any Event of Default under the Operating Agreement, whether or not declared, continuing or cured, an “Event of Default” (as defined in the Resolution) shall have been declared under the Resolution so long as such 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;

(d) an Event of Default under the Agreement has occurred and is continuing;

(e) FIT 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;

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

(g) the charter of FIT shall be suspended or revoked;

(h) a petition to dissolve FIT shall be filed by FIT with the legislature of the State of New York or other governmental authority having jurisdiction over FIT;

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

(j) 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 FIT which petition shall remain undismissed or unstayed for an aggregate of ninety (90) days;

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

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

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**SUMMARY OF CERTAIN PROVISIONS
OF THE RESOLUTION**

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SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The following is a summary of certain provisions of the Resolution (referred to in this Appendix E as the “Resolution”). Such summary does not purport to be complete and reference is made to the Resolution for full and complete statements of each of its provisions. Defined terms used in this Appendix shall have meanings ascribed to them in Appendix A. Unless otherwise indicated, references to section numbers in the Resolution refer to sections in the Resolution.

Resolution and Bonds Constitute a Contract

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

(Section 1.03)

Refunding Bonds

All or any portion of one or more Series of Refunding Bonds may be authenticated and delivered to refund all Outstanding Bonds of one or more Series, a portion of a Series of Outstanding Bonds, a portion of a maturity of a Series of Outstanding Bonds or all or any portion of outstanding bonds or other obligations issued by the Authority. The Authority by resolution of its members may issue Refunding Bonds of a Series 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 the Resolution and of the Series Resolution authorizing such Series of Refunding Bonds or by the provisions of the Resolution or resolutions authorizing the bonds or other obligations issued by the Authority, as the case may be.

(i) With respect to Refunding Bonds issued to refund all or any portion of any Series of Outstanding 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:

(a) 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;

(b) Irrevocable instructions to the Trustee, satisfactory to it, to make due publication of the notice provided for in the Resolution to the Holders of the Bonds being refunded;

(c) Either or both of (1) moneys in an amount sufficient to effect payment of the principal at the maturity date therefor or the Redemption Price on the applicable redemption date of the Bonds to be refunded, together with accrued interest on such Bonds to the maturity or redemption date, which moneys 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 and (2) 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 the Resolution, which moneys shall be held in trust and used only as provided in the Resolution;

(d) A certificate of the Authority containing such additional statements as may be reasonably necessary to show compliance with the requirements of the Resolution.

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

(ii) With respect to the Refunding Bonds issued to refund all or any portion of any bonds or other obligations issued by the Authority or any predecessor public benefit corporation authorized to issue bonds for the benefit of the Institution, the proceeds, including accrued interest, shall be applied simultaneously with the delivery of such Refunding Bonds in the manner provided or as determined in accordance with the Resolution or resolutions authorizing such bonds or other obligations.

(Section 2.04)

Additional Obligations

The Authority reserves the right to issue bonds, notes or any other obligations or otherwise incur indebtedness pursuant to other and separate resolutions or agreements of the Authority, so long as such bonds, notes or other obligations are not, or such other indebtedness is not, except as provided in the Resolution, entitled to a charge 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 as provided by the Resolution.

(Section 2.05)

Pledge of Revenues

The proceeds from the sale of the Bonds, the Revenues, the rights of the Authority to receive all payments to be made under the Agreement that are to be deposited with the Trustee, the Authority's security interest in the Pledged Revenues granted by the Corporation to the Authority pursuant to the Agreement and except as otherwise provided, all funds and accounts established in the Resolution, other than the Arbitrage Rebate Fund, are pledged 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. The pledge of the Revenues shall also be for the benefit of each Facility Provider as security for the payment of any amounts payable to such Facility Provider under the Resolution; *provided, however*, that such pledge shall, in all respects, be subject and subordinate to the rights and interest therein of the Bondholders. The pledge is valid, binding and perfected from the time when the pledge attaches and the proceeds from the sale of the Bonds, the Revenues, the rights of the Authority to receive all payments to be made under the Agreement that are to be deposited with the Trustee, the Authority's security interest in the Pledged Revenues granted by the Corporation to the Authority pursuant to the Agreement and the funds and accounts established and pledged by the Resolution shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid, binding and perfected as against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of whether such parties have notice thereof. No instrument by which such pledge is created nor any financing statement need be recorded or filed. The Bonds shall be special obligations of the Authority payable solely from and secured by a pledge of the proceeds from the sale of the Bonds, the Revenues, the rights of the Authority to receive all payments to be made under the Agreement that are to be deposited with the Trustee, the Authority's security interest in the Pledged Revenues granted by the Corporation to the Authority pursuant to the Agreement and the funds and accounts established and pledged by the Resolution, which pledge shall constitute a first lien thereon.

(Section 5.01)

Establishment of Funds and Accounts

The following funds and separate accounts within such funds are established by the Resolution and shall be held and maintained by the Trustee:

Construction Fund;
Debt Service Fund;
Debt Service Reserve Fund;
Building and Equipment Reserve Fund; and
Arbitrage Rebate Fund.

Accounts and subaccounts within each of the foregoing funds may from time to time be established in accordance with any Series Resolution, any Bond Series Certificate or upon direction to the Trustee by the Authority. All moneys deposited in any fund, account or subaccount created and pledged by the Resolution shall be held in trust for the benefit of Bondholders, but shall be disbursed, allocated and applied solely for the purposes provided in the Resolution.

(Section 5.02)

Application of Bond Proceeds and Allocation Thereof

Upon the receipt of 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 in 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; Procedure upon Completion of Project

(a) As soon as practicable after the delivery of each Series of Bonds, there shall be deposited in the Construction Fund the amount required to be deposited therein pursuant to the Series Resolution authorizing such Series or the Bond Series Certificate relating to such Series. In addition, the Authority shall pay over to the Trustee and the Trustee shall deposit in the Construction Fund any moneys paid to the Authority required to be so deposited pursuant to the Resolution. The Trustee shall also deposit in the Construction Fund all amounts paid to it by the Corporation which by the terms of the Agreement are required to be deposited therein.

(b) Except as otherwise provided in the Resolution and in any Series Resolution or Bond Series Certificate, moneys deposited in the Construction Fund shall be used only to pay the Costs of Issuance of the Bonds and the Costs of the Projects. For purposes of internal accounting, the Construction Fund may contain one or more accounts and 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 with respect to each payment to be made: (i) the names of the payees, (ii) the purpose for payment is to be made in terms sufficient for identification, and (iii) the respective amounts of each such payment. Payments for Costs of the Projects 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 Corporation, (i) naming the Project in connection with which payment is to be made, (ii) describing in reasonable detail the purpose for which moneys were used and the amount thereof, and (iii) stating that such purpose constitutes a necessary part of the Costs of the Projects and has not been the basis of any previous withdrawal from the Construction Fund. Moneys in the

Construction Fund to be applied to pay interest on Bonds shall be transferred from the Construction Fund to the Debt Service Fund at such times and in such amounts as shall be determined by an Authorized Officer of the Authority.

Any proceeds of insurance, condemnation or eminent domain awards received by the Trustee, the Authority or the Corporation with respect to any Project or any Mortgaged Property shall be deposited in the Construction Fund.

A Project shall be deemed to be complete upon (i) delivery to the Authority and the Trustee of a certificate signed by an Authorized Officer of the Corporation, which certificate shall be delivered as soon as practicable after the date of completion of such Project, or (ii) upon delivery to the Corporation and the Trustee of a certificate signed by an Authorized Officer of the Authority which certificate may be delivered at any time after completion of the Project. Each such certificate shall state that the Project has been completed substantially in accordance with the plans and specifications, if any, applicable to the Project and that the Project is ready for occupancy, and, in the case of a certificate of an Authorized Officer of the Corporation, shall specify the date of completion.

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

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

Second: To the Debt Service Reserve Fund, such amount as shall be necessary to make the amount on deposit in such fund equal to the Debt Service Reserve Fund Requirement;

Third: To the Building and Equipment Reserve Fund, such amount as shall be necessary to make the amount on deposit in such fund equal to the Building and Equipment Reserve Fund Requirement; and

Fourth: To the Debt Service Fund, to be applied in accordance with the Resolution, any balance remaining.

(Section 5.04)

Deposit and Allocation of Revenues

(a) The Revenues and any other moneys, which, by any of the provisions of the 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) one-half (1/2) of the principal and Sinking Fund Installments of Outstanding Option Bonds becoming due and payable on or prior to the next succeeding July 1, and (c) the purchase price or Redemption Price of Outstanding Bonds theretofore contracted to be purchased or called for redemption pursuant to the provisions under the heading "Debt Service Fund" below 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 the provisions under the heading “Debt Service Fund” below on or prior to the next succeeding July 1, plus accrued interest thereon to the date of purchase or redemption;

Second: To reimburse, pro rata, each Facility Provider for Provider Payments which are then unpaid, in proportion to the respective Provider Payments then unpaid to each Facility Provider;

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

Fourth: To the Debt Serve Reserve Fund, such amount, if any, necessary to make the amount on deposit in such fund equal to the Debt Service Reserve Fund Requirement;

Fifth: To the Building and Equipment Reserve Fund, such amount, if any, necessary to make the amount on deposit in such fund equal to the Building and Equipment Reserve Fund Requirement; and

Sixth: 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, (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 Agreement or Mortgage in accordance with the terms thereof, and (iii) any fees of the Authority, but only upon receipt by the Trustee of a certificate signed by an Authorized Officer of the Authority, stating in reasonable detail the amounts payable to the Authority pursuant to this paragraph.

(b) The Trustee shall notify the Authority and the Corporation promptly after making the payments required by paragraph (a) above, of any balance of Revenues then remaining. After making the payments required by paragraph (a) above, 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 Corporation, in the respective amounts set forth in such direction. Any amounts paid to the Corporation shall be free and clear of any pledge, lien, encumbrance or security interest created by the Resolution or by the Agreement.

(Section 5.05)

Debt Service Fund

(a) 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:

- (1) the interest due and payable on all Outstanding Bonds on such interest payment date;
- (2) the principal amount due and payable on all Outstanding Bonds on such interest payment date;

and

(3) 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 of the Debt Service Fund shall be irrevocably pledged to and applied to such payments.

(b) In the event that on the fourth Business Day preceding any interest payment date the amount in the Debt Service Fund shall be less than the amount required for payment of the interest on and the principal and Sinking Fund Installments of the Outstanding Bonds due and payable on such interest payment date, together with the purchase price of Redemption Price of Outstanding Bonds theretofore contracted to be purchased or called for redemption pursuant to the provisions contained in paragraphs (c) or (d) under this heading, plus accrued interest thereon to the date of purchase or redemption, the Trustee shall withdraw from the Debt Service Reserve Fund and deposit to the

Debt Service Fund such amount as will increase the amount therein to an amount sufficient to make such payments. The Trustee shall immediately notify each Facility Provider of a withdrawal from the Debt Service Reserve Fund.

(c) Notwithstanding the provisions of paragraph (a) under this heading, 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.

(d) Notwithstanding the provisions of paragraph (a) under this heading, the Corporation pursuant to the 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.

(e) 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, 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 the Resolution.

(Section 5.06)

Debt Service Reserve Fund

(a) The Trustee shall deposit to the credit of the Debt Service Reserve Fund such proceeds of the sale of Bonds of a Series, if any, as shall be prescribed in the Series Resolution or a Bond Series Certificate relating to such Series, and any Revenues, moneys, Government Obligations and Exempt Obligations as, by the provisions of the Agreement, are delivered to the Trustee by the Corporation for the purposes of the Debt Service Reserve Fund.

(b) In lieu of or in substitution for moneys, Government Obligations or Exempt Obligations, the Authority may deposit or cause to be deposited with the Trustee a Reserve Fund Facility for the benefit of the Holders of the Bonds of a Series for all or any part of the Debt Service Reserve Fund Requirement; provided (i) that any such surety bond or insurance policy shall be issued by an insurance company or association duly authorized to do business in the State and either (A) the claims paying ability of such insurance company or association is rated in the highest rating category accorded by a nationally recognized insurance rating agency or (B) obligations insured by a surety bond or an insurance policy issued by such company or association are rated, without regard to qualification of such rating by symbols such as "+" or "-" or numerical notation, in the highest rating category at the time such surety bond or insurance policy is issued by Moody's and S&P or, if Outstanding Bonds are not rated by both Moody's and S&P, by whichever of said rating services that then rates Outstanding Bonds and (ii) that any letter of credit shall be issued by 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 provision of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provision of law, or a domestic branch of 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, the unsecured or uncollateralized long term debt obligations or which, or long term obligations secured or supported by a letter of credit issued by such person, are rated at the time such letter of credit is delivered, without regard to qualification of such rating by symbols such as “+” or “-” or numerical notation, in at least the second highest rating category by Moody’s and S&P or, if Outstanding Bonds are not rated by Moody’s and S&P, by whichever of said rating services that then rates Outstanding Bonds.

In addition to the conditions and requirements set forth above, no Reserve Fund Facility shall be deposited in full or partial satisfaction of the Debt Service Reserve Fund Requirement unless the Trustee shall have received prior to such deposit (i) an opinion of counsel acceptable to the Authority to the effect that such Reserve Fund Facility has been duly authorized, executed and delivered by the Facility Provider thereof and is valid, binding and enforceable in accordance with its terms, (ii) in the event such Facility Provider is not a domestic entity, an opinion of foreign counsel in form and substance satisfactory to the Authority and (iii) in the event of such Reserve Fund Facility is a letter of credit, an opinion of counsel acceptable to the Trustee and to the Authority substantially to the effect that payments under such letter of credit will not constitute avoidable preferences under Section 547 of the United State Bankruptcy Code in a case commenced by or against the Authority or the Corporation thereunder or under any applicable provisions of the Debtor and Creditor Law of the State.

Notwithstanding the foregoing, if at any time after a Reserve Fund Facility has been deposited with the Trustee the unsecured or uncollateralized long term debt of the Facility Provider or the long term debt obligations secured or supported by a surety bond, insurance policy or letter of credit of a Facility Provider is reduced below the ratings required by the second preceding paragraph, the Authority shall either (i) replace or cause to be replaced said Reserve Fund Facility with another Reserve Fund Facility which satisfies the requirements of the second preceding paragraph or (ii) deposit or cause to be deposited in the Debt Service Reserve Fund an amount of moneys, Government Obligations or Exempt Obligations which meet the requirements Resolution with respect to the investment of funds and accounts which is equal to the value of the Reserve Fund Facility of such Facility Provider, such deposits to be, as nearly as practicable, in ten equal semi-annual installments commencing on the earlier of the July 1 or January 1 next succeeding the reduction in said ratings.

Each such surety bond, insurance policy or letter or credit shall be payable (upon the giving of such notice as may be required thereby) on any date on which moneys are required to be withdrawn from the Debt Service Reserve Fund and such withdrawal cannot be made without obtaining payment under such Reserve Fund Facility.

In computing the amount on deposit in the Debt Service Reserve Fund, a Reserve Fund Facility shall be valued at the amount available to be paid thereunder on the date of computation; provided that, if the unsecured or uncollateralized long term debt of such Facility Provider, or the long term debt obligations secured or supported by a surety bond, insurance policy or letter or credit of said Facility Provider has been reduced below the ratings required by the second paragraph under this heading, said Reserve Fund Facility shall be valued at the lesser of (i) the amount available to be paid thereunder on the date of calculation and (ii) the difference between the amount available to be paid thereunder on the date of issue thereof and an amount equal to a fraction of such available amount the numerator of which is the aggregate number of July 1st’s and January 1st’s which has elapsed since such ratings were reduced and the denominator of which is ten.

(c) Moneys held for the credit of the Debt Service Reserve Fund shall be withdrawn by the Trustee and deposited to the credit of the Debt Service Fund at the times and in the amounts required to comply with the Resolution; provided that no payment under a Reserve Fund Facility shall be sought unless and until moneys are not available in the Debt Service Reserve Fund and the amount required to be withdrawn from the Debt Service Reserve Fund can not be withdrawn therefrom without obtaining payment under such Reserve Fund Facility; provided further, that, if more than one Reserve Fund Facility is held for the credit of the Debt Service Reserve Fund at the time moneys are to be withdrawn therefrom, the Trustee shall obtain payment under each such Reserve Fund at the time moneys are to be withdrawn therefrom, the Trustee shall obtain payment under each such Reserve Fund Facility, pro rata, based upon the respective amounts then available to be paid thereunder.

With respect to any demand for payment under any Reserve Fund Facility, the Trustee shall make such demand for payment in accordance with the terms of such Reserve Fund Facility at the earliest time provided therein to assure the availability of moneys on the interest payment date for which such moneys are required.

(d) Moneys and investments held for the credit of the Debt Service Reserve Fund in excess of the Debt Service Reserve Fund Requirement, unless and until the amount in the Building and Equipment Reserve Fund shall then be not less than the Building and Equipment Reserve Fund Requirement, shall be withdrawn by the Trustee and deposited in the Building and Equipment Reserve Fund, and thereafter, upon direction of an Authorized Officer of the Authority, shall be withdrawn by the Trustee and (i) deposited in the Arbitrage Rebate Fund, the Debt Service Fund or the Construction Fund, (ii) paid to the Corporation, or (iii) applied by the Authority to pay the principal or Redemption Price of and interest on bonds of the Authority issued in connection with the Corporation pursuant to resolutions other than the Resolution, in accordance with such direction; *provided, however*, that no such amount shall be withdrawn and deposited, paid or applied unless in the opinion of Bond Counsel such deposit, payment or application will not adversely affect the exclusion of interest on any of the Bonds from gross income for federal income tax purposes.

(e) Notwithstanding any other provisions of the Resolution, if, upon a Bond having been deemed to have been paid in accordance with the Resolution or redeemed prior to maturity from the proceeds of Bonds, bonds, notes or other obligations issued for such purpose, the moneys and investments held for the credit of the Debt Service Reserve Fund will, after making such deposit to the Building and Equipment Reserve Fund as may be required in accordance with paragraph (d) above, exceed the Debt Service Reserve Fund Requirement, then the Trustee shall, simultaneously with such redemption or a deposit made in accordance with the Resolution, withdraw all or any portion of such excess from the Debt Service Reserve Fund upon the direction of an Authorized Officer of the Authority and either (i) apply such amount to the payment of the principal or Redemption Price of and interest on such Bond in accordance with the irrevocable instructions of the Authority or to fund any reserve for the payment of the principal and sinking fund installments of or interest on the bonds, notes or other obligations, if any, issued to provide for payment of such Bond or (ii) pay such amount to the Authority for deposit to the Construction Fund if, in the opinion of Bond Counsel, application of such moneys to the payment of Costs of a Project will not adversely affect the exclusion of interest on any Project will not adversely affect the exclusion of interest on any Bonds from gross income for federal income tax purposes; provided that after such withdrawal the amount remaining in the Debt Service Reserve Fund shall not be less than the Debt Service Reserve Fund Requirement.

(f) If upon a valuation, the moneys, investments and Reserve Fund Facilities held for the credit of the Debt Service Reserve Fund are less than the Debt Service Reserve Fund Requirement, the Trustee shall immediately notify the Authority and the Corporation of such deficiency and the Corporation shall, as soon as practicable, but in no event later than five (5) days after receipt of such notice, deliver to the Trustee moneys, Government Obligations, exempt Obligations or Reserve Fund Facilities the value of which is sufficient to increase the amount in the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement.

(Section 5.07)

Building and Equipment Reserve Fund

(a) The Revenues and Securities delivered to the Trustee, which by the provision of the Agreement, are to be deposited in the Building and Equipment Reserve Fund, shall upon receipt by the Trustee be deposited to the credit of the Building and Equipment Reserve Fund.

(b) In the event that on the fourth Business Day preceding any interest payment date and after any withdrawal made pursuant to the provisions of paragraph (b) under the heading "Debt Service Fund" above the amount in the Debt Service Fund shall be less than the amount required for payment of the interest on and the principal and Sinking Fund Installments of Outstanding Bonds due and payable on such interest payment date, together with 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, the Trustee shall withdraw from the Building and Equipment Reserve Fund and deposit to the Debt Service Fund such amount as will increase the amount therein to an amount sufficient to make such payments.

(c) The amount on deposit in the Building and Equipment Reserve Fund shall be applied to defray the costs, other than of ordinary maintenance and repair, of renewing, repairing, replacing, renovating and improving a Project and its equipment and to the renewal, replacement and repair of damaged property of a Project. Any payment from the Building and Equipment Reserve Fund to defray such costs shall be made by the Trustee upon receipt of a

certificate of the Authority signed by an Authorized Officer, setting forth in reasonable detail the payment to be made and stating that such payments are properly payable from moneys held by the Trustee in the Building and Equipment Reserve Fund.

(d) All or any portion of the Securities held for the credit of the Building and Equipment Reserve Fund in excess of the maximum Building and Equipment Reserve Fund Requirement shall be paid in the following order or priority: First, upon the direction of an Authorized Officer of the Authority, to the Arbitrage Rebate Fund, the amount set forth in such direction; Second, to reimburse, pro rata, each Facility Provider for Provider Payments which are then unpaid, in proportion to the respective Provider Payments then unpaid to each Facility Provider; Third, to the Debt Service Reserve Fund, the amount, if any, necessary to make the amount on deposit therein equal to the Debt Service Reserve Fund Requirement; Fourth, to the Authority, the amount certified by an Authorized Officer of the Authority to be then due or past due pursuant to the Agreement for fees or expenses of the Authority or pursuant to any indemnity; and, Fifth, upon request of an Authorized Officer of the Corporation and so long as the Corporation is not then in default under the Agreement, to the Corporation, free and clear of the trust, pledge, line, encumbrance or security interest created by the Agreement or by the Agreement.

(e) If, upon a valuation of the Securities held for the credit of the Building and Equipment Reserve Fund, the value of such Securities is less than the Building and Equipment Reserve Fund Requirement, the Trustee shall immediately notify the Authority and the Corporation of such deficiency. The Corporation shall, as soon as practicable, but in no event later than five (5) days after receipt of such notice, deliver to the Trustee, for deposit to the Building and Equipment Reserve Fund, Securities the value of which is sufficient to increase the amount in the Building and Equipment Reserve Fund to at least equal the Building and Equipment Reserve Fund Requirement.

(f) If the Corporation is not in default under the Agreement, the Corporation, upon not less than one (1) day's notice or, if required by the Trustee or the Authority, such longer notice not to exceed fifteen (15) days, to the Authority and the Trustee, shall have the right, at any time and from time to time, to withdraw Securities from the Building and Equipment Reserve Fund upon the simultaneous substitution therefore and deposit with the Trustee of the Securities having an aggregate value which, together with the value of the Securities remaining on deposit in the Building and Equipment Reserve Fund, shall be at least equal to the Building and Equipment Reserve Fund Requirement.

(g) Withdrawals and substitutions permitted by the provisions under this heading shall be made by the Trustee at the direction of the Corporation. Unless the Corporation is in default under the Agreement, the Trustee shall follow such written instructions as may be given by the Corporation with respect to exercising any right or option with respect to Securities in the Building and Equipment Reserve Fund. If the Corporation shall be in default under the Agreement, the Trustee shall follow instructions of the Authority with respect to such matters.

(Section 5.08)

Arbitrage Rebate Fund

The Trustee shall deposit to the Arbitrage Rebate Fund any moneys delivered to it by the Corporation for deposit therein and 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 shall be 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 rebated 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 rebated 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 Gross Proceeds of the 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 investment earnings which the Authority has determined may be required by the Code to be rebated 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 rebated thereto.

(Section 5.09)

Application of Moneys in Certain Funds for Retirement of Bonds

Notwithstanding any other provisions of the Resolution, if at any time the amounts held in the Debt Service Fund and the Debt Service Reserve Fund 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 with respect to the defeasance of the Outstanding Bonds at the maturity or redemption dates thereof, the Trustee shall so notify the Authority and the Corporation. 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 by the Resolution and by each Series Resolution as provided in the Resolution, or (ii) give the Trustee irrevocable instructions in accordance with the Resolution and make provision for the payment of the Outstanding Bonds at the maturity or redemption dates thereof in accordance therewith.

(Section 5.10)

Computation of Assets of Certain Funds

The Trustee, as promptly as practicable (i) after the end of each calendar month, (ii) upon the request of the Authority, (iii) upon the request of the Corporation, but not more frequently than once a calendar month, and (iv) at such other times as may be necessary in connection with a withdrawal and deposit made pursuant the Resolution, shall compute the value of the assets in the Debt Service Reserve Fund and the Building and Equipment Reserve Fund. Such value shall be computed in the case of the requirement under (i) above, on the last day of each such month, in the case of a request pursuant to clause (ii) or (iii) above, at the date of such request, or, in the case of a withdrawal and deposit, at the date of such withdrawal and deposit. The Trustee shall notify the Authority and the Corporation as to the results of such computation and the amount by which the value of the assets in the Debt Service Reserve Fund and the Building and Equipment Reserve Fund exceeds or is less than the Debt Service Reserve Fund Requirement and the Building and Equipment Reserve Fund Requirement, respectively.

(Section 5.12)

Investment of Funds and Accounts

(1) Moneys held in any fund or account established the Resolution or by a Series Resolution, if permitted by law, shall, as nearly as may be practicable, be invested, in Government Obligations, Federal Agency Obligations, or Exempt Obligations and, if not inconsistent with the investment guidelines of a Rating Service, any other Permitted Investment; provided, however, 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 of the Resolution; provided, further, (x) any Permitted Collateral required to secure any Permitted Investment shall have a market value, determined by the Trustee or its agent periodically, but no less frequently than weekly, at least equal to the amount deposited or invested including interest accrued thereon, (y) Permitted Collateral shall be deposited with and held by the Trustee or an agent of the Trustee approved by an Authorized Officer of the Authority, and (z) the Permitted Collateral shall be free and clear of claims of any other person. Moneys held under the Resolution by the Trustee shall be invested by the Trustee upon the direction of an Authorized Officer of the Authority given or confirmed in writing, which direction shall specify the amount to be so invested.

(2) In lieu of the investments of moneys in obligations authorized in paragraph (1) above, 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 Building and Equipment Reserve Fund, and the Authority may, to the extent permitted by law, 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, however, 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 of the Resolution, (x) all moneys in each such interest bearing time deposit, certificate of deposit, repurchase agreement or other similar investment arrangement shall be continuously and fully secured by ownership of or a security interest in 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 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.

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

(4) In computing the amount in any fund or account held by the Trustee under the provisions of the Resolution each Permitted Investment therein shall be valued at the market value thereof, plus accrued interest, except that the Building and Equipment Reserve Fund shall be valued at the lower of cost of such investments or the par value thereof, plus accrued interest.

(5) Notwithstanding anything to the contrary in the Resolution, the Authority, in its discretion, may direct the Trustee to and the Trustee shall, sell, present for redemption or exchange any investment held by the Trustee pursuant to the Resolution and the proceeds thereof may be reinvested as provided in the Resolution. Except as otherwise provided in the Resolution, any investment held by the Trustee pursuant to the Resolution shall be sold at the best price obtainable, or presented for redemption or exchange, 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 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 and of the details of all investments held for the credit of each fund and account in its custody under the provisions of the Resolution as of the end of the preceding month and as to whether such investments comply with the provisions of paragraphs (1) and (2) above. 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.

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

(Section 6.02)

Payment of Principal and Interest

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

(Section 7.01)

Extension of Payment of Bonds

The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement and, in case the maturity of any of such Bonds or the time for payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under the Resolution, to the benefit of the Resolution or of any Series Resolution or to any payment out of any assets of the Authority or the funds (except funds held in trust for the payment of particular Bonds of a Series or claims for interest pursuant hereto and to any Series Resolution) held by the Trustee, except subject to the prior payment of the principal of all Outstanding Bonds of such Series the maturity of which has not been extended and of such portion of the interest on such Bonds as shall not be represented by such claims for interest. Nothing in the Resolution shall be deemed to limit the right of the Authority to issue Refunding Bonds as permitted by the Resolution and by the Act and such issuance shall not be deemed to constitute an extension of the maturity of the Bonds of a Series refunded.

(Section 7.02)

Powers as to Bonds and Pledge

The Authority is duly authorized under the Act and all applicable laws to create and issue the Bonds, to adopt the Resolution and each Series Resolution and to pledge and assign the proceeds from the sale of the Bonds, the Revenues, the rights of the Authority to receive payments to be made under the Agreement that are to be deposited with the Trustee, the Authority's security interest in the Pledged Revenues granted to the Authority under the Agreement and the funds and accounts established and pledged by the Resolution and by any Series Resolution. The Authority further covenants that the proceeds from the sale of the Bonds, the Revenues, the rights of the Authority to receive payments to be made under the Agreement that are to be deposited with the Trustee, the Authority's security interest in the Pledged Revenues granted to the Authority under the Agreement and the funds and accounts established and pledged by the Resolution and by any Series Resolution are and shall be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto, prior to, or of equal rank with, the pledge created by the Resolution and by each Series Resolution, other than, any pledge, lien, charge or encumbrance upon the Revenues created by the Authority to secure its obligations to a Facility Provider which has provided a Credit Facility or a Liquidity Facility, which may be of equal priority and rank with the charge and lien thereon created by the Resolution. The Authority further covenants that all corporate action on the part of the Authority to that end has been duly and validly taken. The Authority further covenants that the Bonds and the provisions of the Resolution and of each Series Resolution are and shall be the valid and legally enforceable obligations of the Authority in accordance with their terms and the terms of the Resolution and of each Series Resolution. The Authority further covenants that it shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the proceeds from the sale of the Bonds, the Revenues, the rights of the Authority to receive payments to be made under the Agreement that are to be deposited with the Trustee, the Authority's security interest in the Pledged Revenues granted to the Authority under the Agreement and the funds and accounts established and pledged by the Resolution and by any Series Resolution and all of the rights of the Holders of Bonds under the Resolution and each Series Resolution against all claims and demands of all persons whomsoever.

(Section 7.03)

Further Assurance

The Authority, at any and all times, shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the rights and the pledges and assignments made by the Resolution, or intended so to be, or which the Authority may hereafter become bound to pledge or assign.

(Section 7.04)

Accounts and Audits

The Authority shall keep proper books of records and accounts (separate from all other records and accounts), which may be kept on behalf of the Authority by the Trustee, in which complete and correct entries shall be made of its transactions relating to each Series of Bonds, which books and accounts, at reasonable hours and subject to the reasonable rules and regulations of the Authority, shall be subject to the inspection of the State, the Trustee or any Holder of a Bond or such Holder's representative duly authorized in writing. The Trustee shall annually prepare a report which shall be furnished to the Authority, each Facility Provider and the Corporation. Such report shall include, at least, a statement of all funds (including investments thereof) held by such Trustee and the Authority pursuant to the provisions of the Resolution and of each Series Resolution; a statement of the Revenues collected in connection with the Resolution and with each Series Resolution; a statement that the balance in the Debt Service Reserve Fund and the Building and Equipment Reserve Fund meet the requirements of the Resolution and of the applicable Series Resolution, and a statement that, in making such audit, no knowledge of any default in the fulfillment of any of the terms, covenants or provisions of the Resolution and of each Series Resolution was obtained, or if knowledge of any such default was obtained, a statement thereof.

(Section 7.05)

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 that of the Bonds on the proceeds from the sale of such Bonds, the Revenues the funds and accounts established and pledged pursuant to the Resolution or any Series Resolution; provided, however, that nothing contained in the Resolution shall prevent the Authority from (i) issuing bonds, notes or other obligations under another and separate resolution so long as the charge or lien created by such resolution is not prior or equal to the charge or lien created by the Resolution, and (ii) incurring obligations with respect to a Credit Facility or a Liquidity Facility 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 the pledge made by the Resolution.

(Section 7.06)

Enforcement of Duties and Obligations of the Corporation

The Authority shall take all legally available action to cause the Corporation to perform fully all duties and acts and comply fully with the covenants of the Corporation required by the Agreement in the manner and at the times provided in the Agreement; *provided, however*, that the Authority may delay or defer enforcement of one or more provisions of the Agreement (other than provisions requiring the payment of moneys or the delivery of Securities to the Trustee for deposit to any fund or account established under the Resolution) if the Authority determines such delay or deferment will not materially adversely affect the interests of the Holders of the Bonds.

(Section 7.07)

Offices for Payment and Registration of Bonds

The Authority shall at all times maintain an office or agency in the State where Bonds may be presented for payment. The Authority may, pursuant to Supplemental Resolution or Series Resolution or pursuant to a resolution adopted in accordance with the Resolution, designate an additional Paying Agent or Paying Agents where Bonds of a Series authorized thereby or referred to therein may be presented for payment. The Authority shall at all times maintain an office or agency in the State where Bonds may be presented for registration, transfer or exchange and the Trustee is appointed as its agent to maintain such office or agency for the registration, transfer or exchange of such Bonds. The provisions of this paragraph shall be subject to the provisions of the Resolution.

(Section 7.09)

Filings of Financing Statements

Except as provided in the Resolution, the Authority shall file in the appropriate offices all financing statements which are necessary to perfect the security interests, if any, granted to the Authority under the Agreement and to the Trustee under the Resolution.

(Section 7.10)

Amendment of Agreement and Operating Agreement

The Agreement may not be amended, changed, modified, altered or terminated so as to materially adversely affect the interest of the Holders of Outstanding Bonds without the prior written consent of the Holders of at least a majority in aggregate principal amount of the Bonds then Outstanding; provided, however, that no such amendment, change, modification, alteration or termination will reduce the percentage of the aggregate principal amount of Outstanding Bonds the consent of the Holders of which is a requirement for any such amendment, change, modification, alteration or termination, or decrease the amount of any payment required to be made by the Corporation under the Agreement that is to be deposited with the Trustee or extend the time of payment thereof. The Agreement may be amended, changed, modified or altered without the consent of the Trustee and the Holders of Outstanding Bonds to provide necessary changes in connection with the acquisition, construction, reconstruction, rehabilitation and improvement, or otherwise providing, furnishing and equipping, of any facilities constituting a part of a Project or which may be added to a Project, to cure any ambiguity, or to correct or supplement any provisions contained in the Agreement, which may be defective or inconsistent with any other provisions contained in the Resolution or in the Agreement or the Operating Agreement. Except as otherwise provided in the Resolution, the Agreement may be amended, changed, modified or altered without the consent of the Holders of Outstanding Bonds or the Trustee. Prior to execution by the Authority of any amendment, a copy thereof certified by an Authorized Officer of the Authority shall be filed with the Trustee.

The Authority will not consent to any amendment, change, modification or termination of the Operating Agreement which will materially adversely affect the interest of the Holders of Outstanding Bonds without the prior written consent of the Holders of at least a majority in aggregate principal amount of the Bonds then Outstanding; provided, however, that no such amendment, change, modification, alteration or termination will reduce the percentage of the aggregate principal amount of Outstanding Bonds the consent of the Holders of which is a requirement for any such amendment, change, modification, alteration or termination, or decrease the amount of any payment required to be made by FIT under the Operating Agreement that is to be deposited with the Trustee or extend the time of payment thereof. The Operating Agreement may be amended, changed, modified or altered without the consent of the Trustee and the Holders of Outstanding Bonds to cure any ambiguity, or to correct or supplement any provisions contained in the Operating Agreement, which may be defective or inconsistent with any other provisions contained in the Resolution or in the Agreement or the Operating Agreement. Except as otherwise provided in the Resolution, the Operating Agreement may be amended, changed, modified or altered without the consent of the Holders of Outstanding Bonds or the Trustee. Prior to consent by the Authority to any amendment, a copy thereof certified by an Authorized Officer of the Authority shall be filed with the Trustee.

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 of any Holders of Bonds then Outstanding in any material respect.

(Section 7.11)

Notice as to Event of Default Under Agreement

The Authority shall notify the Trustee in writing that an Event of Default under the Agreement, as such term is defined in the Agreement, has occurred and is continuing, which notice shall be given within five (5) days after the Authority has obtained actual knowledge thereof.

(Section 7.12)

Tax Exemption; Rebates

In order to maintain the exclusion from gross income for purposes of federal income taxation of interest on the Bonds of such Series as the Authority may designate, the Authority shall comply with the provisions of the Code applicable to the Bonds of such Series, including without limitation the provisions of the Code relating to the computation of the yield on investments of the Gross Proceeds of such Series of Bonds, reporting of earnings on the Gross Proceeds of such Series of Bonds, and rebates of Excess Earnings to the Department of the Treasury of the United States of America. In furtherance of the foregoing, the Authority shall comply with the provisions of the Tax Certificate with respect to such Series of Bonds.

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

In connection with the foregoing, the Authority shall make any and all payments required to be made to the United States Department of the Treasury in connection with the Bonds of such Series pursuant to Section 148(f) of the Code from amounts on deposit in the Arbitrage Rebate Fund and available therefor.

Notwithstanding any other provision of the Resolution 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 the Resolution or of the Code.

(Section 7.13)

General

The Authority shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Authority under the provisions of the Resolution in accordance with the terms of such provisions.

(Section 7.14)

Modification and Amendment Without Consent

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

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

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

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

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

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

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

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

(Section 9.01)

Supplemental Resolutions Effective With Consent of Bondholders

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

(Section 9.02)

Events of Default

An event of default shall exist under the Resolution and under each Series Resolution (herein called "Event of Default") if:

(a) Payment of the principal or Redemption Price of any such Bond shall not be made by the Authority when the same shall become due and payable, either at maturity or by proceedings for redemption or otherwise; or

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

(c) 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 which was intended to be excludable from gross income under Section 103 of the Code shall no longer be so excludable; or

(d) The Authority shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions for the benefit of the holders of such Bonds contained in the Resolution or in the Bonds or in any Series Resolution on the part of the Authority to be performed and such default shall continue for thirty (30) days after written notice specifying such default and requiring the same to be remedied shall have been given to the Authority by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds; provided, that if such default is within 30 days, the same shall not constitute an Event of Default so long as the Authority has commenced prompt corrective action within said 30 days and is diligently pursuing same; or

(e) The Authority shall have notified the Trustee that an “Event of Default”, as defined in the Agreement, arising out of or resulting from the failure of the Corporation to comply with the requirements of the Agreement shall have occurred and be continuing and all sums payable by the Corporation under the Agreement shall have been declared to be immediately due and payable, which declaration shall not have been annulled.

(Section 11.02)

Acceleration of Maturity

Upon the happening and continuance of any event of default specified in the Resolution, other than an event of default specified under the heading “Events of Default” above, then and in every such case the Trustee may, and, upon the written request of the Holders of not less than twenty-five percent (25%) in principal amount of the Outstanding Bonds, 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 after such notice is given. At the expiration of thirty (30) days after 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 any Series Resolution or in the Bonds 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 percent (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 (other than principal amounts payable only because of a declaration and acceleration under this paragraph) 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 or in any Series Resolution or in the Bonds (other than a default in the payment of the principal of such Bonds then due only because of a declaration under this paragraph) 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 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 percent (25%) in principal amount of the Outstanding Bonds or, in the case of a happening and continuance of an event of default specified in paragraph (c) under the heading “Events of Default” above, upon the written request of the Holders of not less than twenty-five percent (25%) in principal amount of the Outstanding Bonds of the Series affected thereby, shall proceed (subject to the provisions of the Resolution), to protect and enforce its rights and the rights of the Bondholders or of such Facility Provider under the Resolution or under any Series Resolution or under the laws of the State by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant contained under the Resolution or under any Series Resolution or in aid or execution of any power granted by the Resolution or any Series 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 of the Resolution or of any Series Resolution or of the Bonds, with interest on overdue payments of the principal of or interest on the Bonds at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of

collection and of all proceedings under the Resolution and under any Series Resolution and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Holders of such Bonds, and to recover and enforce judgment or decree against the Authority but solely as provided in the Resolution, in any Series Resolution and in such Bonds, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect in any manner provided by law, the moneys adjudged or decreed to be payable.

(Section 11.04)

Defeasance

If the Authority shall pay or cause to be paid to the Holders of the Bonds of a Series the principal, Sinking Fund Installments, if any, or Redemption Price thereof 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 Bonds and all other rights granted the Resolution to such Bonds shall be discharged and satisfied. Upon such event, the Trustee, upon request of the Authority, shall 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 shall be paid or delivered by the Trustee as follows: first, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of an Authorized Officer of the Authority; second, to the Authority the amount certified by an Authorized Officer of the Authority to be then due or past due pursuant to the Agreement for fees and expenses of the Authority or pursuant to any indemnity; and, then, the balance thereof to the Corporation. Such Securities so paid or delivered shall be released from any trust, pledge, lien, encumbrance or security interest created by the Resolution or by the Agreement.

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 the paragraph above. 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 the paragraph above 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 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 the Resolution. The Trustee shall select the Bonds of like Series and maturity payment of which shall be made in accordance with the Resolution. Neither the Defeasance Securities nor moneys deposited with the Trustee pursuant to 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 by the Resolution to pay the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds, as realized, be paid by the Trustee as follows: first, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of an Authorized Officer of the Authority; second, to the Authority the amount certified by an Authorized Officer of the Authority to be then due or past due pursuant to the Agreement for fees and expenses of the Authority or pursuant to any indemnity; and, then, the balance thereof to the Corporation, 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 Agreement.

For purposes of determining whether Variable Interest Rate Bonds shall be deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, by the deposit of moneys, or Defeasance Securities and moneys, if any, in accordance with clause (b) of the second sentence of the paragraph above, 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 clause (b) of the second sentence of the paragraph above, the Trustee shall, if requested by the Authority, pay the amount of such excess to the Authority free and clear of any trust, pledge, lien, encumbrance or security interest created by the Resolution or by the Agreement.

(Section 12.01)

No Recourse under Resolution or on the Bonds

All covenants, stipulations, promises, agreements and obligations of the Authority contained in the Resolution shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Authority and not of any member, officer or employee of the Authority in his individual capacity, and no recourse shall be had for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of or interest on the Bonds of a Series or for any claims based thereon, hereon or on any Series Resolution against any member, officer or employee of the Authority or any person executing such Bonds, all such liability, if any, being expressly waived and released by every Holder of a Bond of any Series by the acceptance of such Bonds.

(Section 14.03)

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**PROPOSED FORM OF APPROVING OPINION OF
BOND COUNSEL TO THE AUTHORITY**

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PROPOSED FORM OF APPROVING OPINION OF BOND COUNSEL TO THE AUTHORITY

Upon the delivery of the Series 2007 Bonds, Hawkins Delafield & Wood LLP, Bond Counsel to the Authority, proposes to issue its approving opinion in substantially the following form:

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

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of \$110,935,000 aggregate principal amount of FIT Student Housing Corporation Insured Revenue Bonds, Series 2007 (the “Series 2007 Bonds”) of the Dormitory Authority of the State of New York (the “Authority”), a body corporate and politic constituting a public benefit corporation of the State of New York created and existing under the Dormitory Authority Act, being Chapter 524 of the Laws of New York of 1944, as amended (the “Act”).

The Series 2007 Bonds are issued under and pursuant to the Act, the FIT Student Housing Corporation Revenue Bond Resolution adopted by the Authority on April 28, 2004 (the “Bond Resolution”), and the Amended and Restated Series Resolution Authorizing Up To \$130,000,000 FIT Student Housing Corporation Insured Revenue Bonds, Series 2007 adopted by the Authority on April 25, 2007 (the “Series 2007 Resolution”). The Bond Resolution and the Series 2007 Resolution are herein collectively referred to as the “Resolutions.”

The Series 2007 Bonds are dated, mature, are payable, bear interest and are subject to redemption as provided in the Resolutions and the Bond Series Certificate (as defined in the Bond Resolution) of the Authority fixing the terms and details of the Series 2007 Bonds.

We are of the opinion that:

1. The Authority has been duly created and is validly existing under the Act and has the right, power and authority to adopt the Resolutions and the Resolutions have been duly and lawfully adopted by the Authority, are in full force and effect and are valid and binding upon the Authority and enforceable in accordance with their terms.

2. The Bond Resolution creates the valid pledge which it purports to create of the proceeds of the sale of the Series 2007 Bonds, the Revenues and all funds established by the Bond Resolution (other than the Arbitrage Rebate Fund) (as such terms are defined in the Bond Resolution), including the investments thereof and the proceeds of such investments, if any, subject only to the provisions of the Resolutions permitting the application thereof to the purposes and on the terms and conditions set forth in the Resolutions.

3. The Series 2007 Bonds have been duly and validly authorized and issued by the Authority and are valid and binding special obligations of the Authority, payable solely from the sources provided therefor in the Resolutions.

4. The Series 2007 Bonds are not a debt of the State of New York, and the State of New York is not liable thereon, nor shall the Series 2007 Bonds be payable out of funds of the Authority other than those pledged for the payment of the Series 2007 Bonds.

5. The Amended and Restated Lease and Agreement dated as of April 25, 2007 (the “Amended and Restated Lease and Agreement”), between the Authority and FIT Student Housing Corporation (the “Corporation”) has been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery thereof by the Corporation, constitutes a legal, valid and binding obligation of the Authority enforceable in accordance with its terms.

6. Under existing statutes and court decisions, (i) interest on the Series 2007 Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Series 2007 Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering this opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority, the Corporation and others, in connection with the Series 2007 Bonds, and we have assumed compliance by the Authority and the Corporation with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2007 Bonds from gross income under Section 103 of the Code. In addition, under existing statutes, interest on the Series 2007 Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

We express no opinion regarding any other Federal or state tax consequences with respect to the Series 2007 Bonds. We render this opinion under existing statutes and court decisions as of the issue date, and we assume no obligation to update our opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Series 2007 Bonds, or under state and local tax law.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the Series 2007 Bonds, the Resolutions and the Amended and Restated Lease and Agreement may be limited by bankruptcy, insolvency and other laws affecting creditors’ rights or remedies heretofore or hereafter enacted and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

We have examined an executed Series 2007 Bond and, in our opinion, the form of said Series 2007 Bond and its execution are regular and proper.

Very truly yours,

SPECIMEN MUNICIPAL BOND NEW ISSUE INSURANCE POLICY

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Financial Guaranty Insurance Company
 125 Park Avenue
 New York, NY 10017
 T 212-312-3000
 T 800-352-0001

Municipal Bond New Issue Insurance Policy

Issuer:	Policy Number:
	Control Number: 0010001
Bonds:	Premium:

Financial Guaranty Insurance Company ("Financial Guaranty"), a New York stock insurance company, in consideration of the payment of the premium and subject to the terms of this Policy, hereby unconditionally and irrevocably agrees to pay to U.S. Bank Trust National Association or its successor, as its agent (the "Fiscal Agent"), for the benefit of Bondholders, that portion of the principal and interest on the above-described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Financial Guaranty will make such payments to the Fiscal Agent on the date such principal or interest becomes Due for Payment or on the Business Day next following the day on which Financial Guaranty shall have received Notice of Nonpayment, whichever is later. The Fiscal Agent will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid by reason of Nonpayment by the Issuer but only upon receipt by the Fiscal Agent, in form reasonably satisfactory to it, of (i) evidence of the Bondholder's right to receive payment of the principal or interest Due for Payment and (ii) evidence, including any appropriate instruments of assignment, that all of the Bondholder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Financial Guaranty. Upon such disbursement, Financial Guaranty shall become the owner of the Bond, appurtenant coupon or right to payment of principal or interest on such Bond and shall be fully subrogated to all of the Bondholder's rights thereunder, including the Bondholder's right to payment thereof.

This Policy is non-cancellable for any reason. The premium on this Policy is not refundable for any reason, including the payment of the Bonds prior to their maturity. This Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bond.

As used herein, the term "Bondholder" means, as to a particular Bond, the person other than the Issuer who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof. "Due for Payment" means, when referring to the principal of a Bond, the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity and means, when referring to interest on a Bond, the stated date for payment of interest. "Nonpayment" in respect of a Bond means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all



Financial Guaranty Insurance Company
 125 Park Avenue
 New York, NY 10017
 T 212-312-3000
 T 800-352-0001

Municipal Bond New Issue Insurance Policy

principal and interest Due for Payment on such Bond. "Notice" means telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from a Bondholder or a paying agent for the Bonds to Financial Guaranty. "Business Day" means any day other than a Saturday, Sunday or a day on which the Fiscal Agent is authorized by law to remain closed.

In Witness Whereof, Financial Guaranty has caused this Policy to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

SPECIMEN

President

Effective Date:

Authorized Representative

U.S. Bank Trust National Association, acknowledges that it has agreed to perform the duties of Fiscal Agent under this Policy.

Authorized Officer



Financial Guaranty Insurance Company
 125 Park Avenue
 New York, NY 10017
 T 212-312-3000
 T 800-352-0001

Endorsement
To Financial Guaranty Insurance Company
Insurance Policy

Policy Number:

Control Number: 0010001

It is further understood that the term "Nonpayment" in respect of a Bond includes any payment of principal or interest made to a Bondholder by or on behalf of the issuer of such Bond which has been recovered from such Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

President

Effective Date:

Authorized Representative

Acknowledged as of the Effective Date written above:

Authorized Officer
U.S. Bank Trust National Association, as Fiscal Agent



Financial Guaranty Insurance Company
 125 Park Avenue
 New York, NY 10017
 T 212-312-3000
 T 800-352-0001

**Mandatory New York State
 Amendatory Endorsement
 To Financial Guaranty Insurance Company
 Insurance Policy**

Policy Number:

Control Number: 0010001

The insurance provided by this Policy is not covered by the New York Property/Casualty Insurance Security Fund (New York Insurance Code, Article 76).

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

President

Effective Date:

Authorized Representative

Acknowledged as of the Effective Date written above:

Authorized Officer

U.S. Bank Trust National Association, as Fiscal Agent



Financial Guaranty Insurance Company
 125 Park Avenue
 New York, NY 10017
 T 212-312-3000
 T 800-352-0001

**Mandatory New York State
 Amendatory Endorsement
 To Financial Guaranty Insurance Company
 Insurance Policy**

Policy Number:	Control Number: 0010001
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SPECIMEN

Notwithstanding the terms and conditions in this Policy, it is further understood that there shall be no acceleration of payment due under such Policy unless such acceleration is at the sole option of Financial Guaranty.

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.



President

Effective Date:

Authorized Representative

Acknowledged as of the Effective Date written above:



**Authorized Officer
 U.S. Bank Trust National Association, as Fiscal Agent**



Financial Guaranty Insurance Company
 125 Park Avenue
 New York, NY 10017
 T 212-312-3000
 T 800-352-0001

Endorsement
To Financial Guaranty Insurance Company
Insurance Policy

Policy Number: _____ **Control Number:** 0010001

Notwithstanding the terms and provisions contained in this Policy, it is further understood that the term "Bondholder" shall not include the _____ [Conduit Obligor] (as such term is defined in the bond documentation).

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

President

Effective Date:

Authorized Representative

Acknowledged as of the Effective Date written above:

Authorized Officer
U.S. Bank Trust National Association, as Fiscal Agent

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