

NEW ISSUE

Moody's: A1
(see "RATING" herein)

In the opinion of Hodgson Russ LLP, Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest on the Series 2012A 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"), assuming compliance with certain covenants and the accuracy of certain representations, and is not an item of tax preference for purposes of the individual and corporate alternative minimum taxes imposed by the Code, except that (a) the College (as hereinafter defined) or another Person, by failing to comply with certain restrictions contained in the Code, may cause interest on the Series 2012A Bonds to become subject to federal income taxation from the date of issuance thereof, and (b) interest on the Series 2012A Bonds is subject to certain alternative minimum taxes imposed on corporations, and certain other taxes. Bond Counsel to the Issuer is further of the opinion that, so long as interest on the Series 2012A Bonds is excluded from gross income for federal income tax purposes, interest on the Series 2012A 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 "TAX MATTERS" herein regarding certain other tax considerations.

\$18,000,000*

SCHENECTADY COUNTY CAPITAL RESOURCE CORPORATION
TAX-EXEMPT REVENUE BONDS
(UNION COLLEGE REFUNDING PROJECT),
SERIES 2012A

UNION
 COLLEGE

Dated: Date of Delivery**Due: July 1, as shown on the inside cover**

The Schenectady County Capital Resource Corporation Tax-Exempt Revenue Bonds (Union College Refunding Project), Series 2012A (the "Series 2012A Bonds") are being issued pursuant to a Trust Indenture dated as of April 1, 2012 (the "Indenture") by and between the Schenectady County Capital Resource Corporation (the "Issuer") and Manufacturers and Traders Trust Company, as trustee (the "Trustee") and are payable solely out of the revenues or other receipts, funds or moneys of the Issuer pledged therefor or otherwise available to the Trustee for the payment thereof, including those derived under a Loan Agreement between the Issuer and The Trustees of Union College in the Town of Schenectady in the State of New York (the "College").

The Series 2012A Bonds will bear interest at the rates shown on the inside cover to this Official Statement. The Series 2012A Bonds will be subject to optional, mandatory and special redemption and to acceleration prior to maturity as described herein under "THE SERIES 2012A BONDS – Redemption Prior to Maturity."

The Series 2012A Bonds are being issued to (i) refund and pay in full the outstanding principal amount of the Schenectady County Industrial Development Agency Tax-Exempt Civic Facility Revenue Bonds (Union College Project), Series 2001A, (ii) refund and pay in full or in part the outstanding principal amount of the City of Schenectady Industrial Development Agency Civic Facility Insured Revenue Bonds (Union College Project), Series 2003A and (iii) finance certain costs of issuance of the Series 2012A Bonds. See "THE PROJECT" herein.

Interest on the Series 2012A Bonds will be payable on each January 1 and July 1, commencing July 1, 2012. The Series 2012A Bonds will be issued as registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as Securities Depository for the Series 2012A Bonds. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or any multiple thereof. Purchasers will not receive certificates representing their ownership interest in the Series 2012A Bonds. Principal and interest will be paid by the Issuer to the Trustee which will remit such principal and interest to DTC, which will in turn remit such principal and interest to its Participants (as defined herein) for subsequent distribution to the Beneficial Owners (as defined herein) of the Series 2012A Bonds. See "THE SERIES 2012A BONDS – Book-Entry Only System" herein.

THE SERIES 2012A BONDS WILL BE LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM PAYMENTS MADE BY THE COLLEGE UNDER THE LOAN AGREEMENT AND ANY MONEYS AND SECURITIES HELD BY THE TRUSTEE UNDER THE INDENTURE. THE SERIES 2012A BONDS DO NOT CONSTITUTE AND SHALL NOT BE A DEBT OF THE STATE OF NEW YORK OR OF THE COUNTY OF SCHENECTADY, NEW YORK AND NEITHER THE STATE OF NEW YORK OR THE COUNTY OF SCHENECTADY, NEW YORK SHALL BE LIABLE THEREON.

THE SERIES 2012A BONDS DO NOT GIVE RISE TO A PECUNIARY LIABILITY OR CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE STATE OF NEW YORK OR OF THE COUNTY OF SCHENECTADY, NEW YORK. NO RECOURSE SHALL BE HAD FOR THE PAYMENT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR THE INTEREST ON ANY SERIES 2012A BOND AGAINST ANY MEMBER, OFFICER, EMPLOYEE OR AGENT (EXCEPT THE COLLEGE) OF THE ISSUER.

This cover page contains information for general reference only. It is not intended as a summary of this transaction. Investors are advised to read the entire Official Statement to obtain information essential to making an informed investment decision.

The Series 2012A Bonds are offered when, as and if issued and received by the Underwriter and subject to the receipt of the unqualified legal opinion as to the validity of the Series 2012A Bonds of Hodgson Russ LLP, Albany, New York, Bond Counsel. Certain legal matters will be passed upon for the College by its counsel, Hiscock & Barclay, LLP, Albany, New York. Certain legal matters will be passed upon for the Issuer by its counsel, Hodgson Russ LLP, Albany, New York. Certain legal matters will be passed upon for the Underwriter by its counsel, Bond, Schoeneck & King, PLLC, Syracuse, New York. It is anticipated that the Series 2012A Bonds will be available for delivery in book-entry only form to DTC on or about April 26, 2012.



RBC Capital Markets*

* Preliminary, subject to change.

\$18,000,000*
SCHENECTADY COUNTY CAPITAL RESOURCE CORPORATION
TAX-EXEMPT REVENUE BONDS (UNION COLLEGE REFUNDING PROJECT),
SERIES 2012A

Maturities, Amounts, Interest Rates and Prices or Yields

<u>Due</u> <u>July 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP†</u>
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\$ _____	Term Bonds _____%	due July 1, 2027	Yield _____%	CUSIP†: _____
\$ _____	Term Bonds _____%	due July 1, 2030	Yield _____%	CUSIP†: _____
\$ _____	Term Bonds _____%	due July 1, 2033	Yield _____%	CUSIP†: _____

* _____
Preliminary, subject to change.

† The CUSIP (Committee on Uniform Securities Identification Procedures) numbers on the inside cover page of this Official Statement have been assigned by an organization not affiliated with the Issuer, the College, the Underwriter or the Trustee, and such parties are not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of holders and no representation is made as to the correctness of the CUSIP numbers printed above. CUSIP numbers assigned to the Series 2012A Bonds may be changed during the term of the Series 2012A Bonds based on a number of factors including but not limited to the refunding or defeasance of such issues or the use of secondary market financial products. None of the Issuer, the College, the Underwriter or the Trustee has agreed to, nor is there any duty or obligation to, update this Official Statement to reflect any change or correction in the CUSIP numbers printed above.

No person has been authorized by the College to give any information or to make any representations not contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy any of the Series 2012A Bonds in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The information, estimates and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the College. The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of its responsibilities under the federal securities law as applied to the facts and circumstances of this transaction, but the Underwriter does not guaranty the accuracy or completeness of such information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2012A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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**OFFICIAL STATEMENT
of the
SCHENECTADY COUNTY CAPITAL RESOURCE CORPORATION**

Relating to

**\$18,000,000* Tax-Exempt Revenue Bonds
(Union College Refunding Project), Series 2012A**

INTRODUCTION

The purpose of this Official Statement, including the cover page and the appendices attached hereto, is to provide information in connection with the issuance by the Schenectady County Capital Resource Corporation (the "Issuer") of its \$18,000,000* Tax-Exempt Revenue Bonds (Union College Refunding Project), Series 2012A (the "Series 2012A Bonds"). The following is a brief description of certain information concerning the Series 2012A Bonds, the Issuer and The Trustees of Union College in the Town of Schenectady in the State of New York (the "College"). A more complete description of such information and additional information that may affect decisions to invest in the Series 2012A Bonds is contained throughout this Official Statement, which should be read in its entirety. Certain capitalized terms not otherwise defined herein are defined in APPENDIX C – "Glossary and Summaries of Certain Provisions of Certain of the Bond Documents."

Purpose of the Issue

The Series 2012A Bonds are being issued to (i) refund and pay in full the outstanding principal amount of the Schenectady County Industrial Development Agency Tax-Exempt Civic Facility Revenue Bonds (Union College Project), Series 2001A (the "Series 2001A Bonds"), (ii) refund and pay in full or in part the outstanding principal amount of the City of Schenectady Industrial Development Agency Civic Facility Insured Revenue Bonds (Union College Project), Series 2003A (the "Series 2003A Bonds" and, together with the Series 2001A Bonds, the "Prior Bonds") and (iii) finance certain costs of issuance of the Series 2012A Bonds. See "THE PROJECT" herein.

Authorization of the Series 2012A Bonds

The Series 2012A Bonds are authorized to be issued pursuant to a resolution of the Issuer adopted on April 11, 2012 (the "Resolution"). The Series 2012A Bonds will be issued under a Trust Indenture dated as of April 1, 2012 (the "Indenture"), by and between the Issuer and Manufacturers and Traders Trust Company, as trustee (the "Trustee"). See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012A BONDS" herein.

The Issuer

The Issuer is a not-for-profit local development corporation created as a public instrumentality of Schenectady County, New York (the "County"), for the purpose of promoting the economic welfare of the inhabitants of the County. The Issuer was formed under the Not-For-Profit Corporation Law of the State of New York (the "State") and is operated under Article 14 of the Not-For-Profit Corporation Law, as amended from time to time (the "Act"). The Issuer has no taxing power. See "THE ISSUER" herein.

The College

The College is an independent, coeducational, undergraduate liberal arts college located in the City of Schenectady, New York. See "THE COLLEGE" herein, APPENDIX A – "Certain Information Concerning the College" and APPENDIX B – "Audited Financial Statements of the College."

*Preliminary, subject to change.

Limited Obligations of the Issuer

THE SERIES 2012A BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE ISSUER. THE ISSUER IS OBLIGATED TO PAY PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE SERIES 2012A BONDS SOLELY FROM THE NET REVENUES AND OTHER FUNDS OF THE ISSUER PLEDGED THEREFOR UNDER THE TERMS OF THE INDENTURE AND AVAILABLE FOR SUCH PAYMENT. THE SERIES 2012A BONDS ARE NOT A DEBT OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE COUNTY, AND NEITHER THE STATE NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE COUNTY, SHALL BE LIABLE THEREON. THE SERIES 2012A BONDS SHALL NOT BE PAYABLE FROM ANY OTHER FUNDS OF THE ISSUER. THE ISSUER HAS NO TAXING POWERS.

General

The Series 2012A Bonds will be issued as “book-entry only” obligations to be held by The Depository Trust Company, as depository (the “Depository”) for the Series 2012A Bonds. See “THE SERIES 2012A BONDS – Book-Entry Only System” herein.

The Series 2012A Bonds will be equally and ratably secured as to principal, premium, if any, and interest by the Indenture. The Indenture constitutes a first lien on the Trust Estate (as defined in the Indenture).

As security for the Series 2012A Bonds, the Issuer will assign to the Trustee certain of its rights under the Loan Agreement pursuant to the Pledge and Assignment (as defined herein). See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012A BONDS” herein.

The purchase of the Series 2012A Bonds involves a degree of risk. Prospective purchasers should carefully consider the material under the caption “BONDHOLDERS’ RISKS” herein.

The Series 2012A Bonds will be sold and delivered by the Issuer to RBC Capital Markets, LLC, as underwriter (the “Underwriter”), pursuant to a bond purchase agreement (the “Bond Purchase Agreement”) by and among the Issuer, the College and the Underwriter. See “UNDERWRITING” herein.

The following summaries are not comprehensive or definitive. All references to the Series 2012A Bonds, the Indenture, the Loan Agreement and the Pledge and Assignment are qualified in their entirety by the definitive forms thereof. Copies of the documents are available for inspection at the office of the Underwriter at 677 Broadway, Suite 707, Albany, New York 12207 and, after delivery of the Series 2012A Bonds to the Underwriter, at the principal corporate trust office of the Trustee currently located at One M&T Plaza, Buffalo, New York 14203.

Capitalized terms used in this Official Statement shall have the meanings specified in APPENDIX C – Glossary and Summaries of Certain Provisions of Certain of the Bond Documents.” Terms not otherwise defined in this Official Statement have the meanings provided in the specific documents.

THE SERIES 2012A BONDS

General

The Series 2012A Bonds will be dated, bear interest at the rates per annum and mature in the years and in the principal amounts shown on the inside cover page to this Official Statement, subject to redemption prior to maturity as hereinafter described. The Series 2012A Bonds are issued as fully registered bonds without coupons, in the denomination of \$5,000 or any integral multiple thereof.

Interest on the Series 2012A Bonds will be payable semiannually on January 1 and July 1, commencing July 1, 2012. Subject to the provisions described below under “Book-Entry Only System,” principal of and any redemption premium on the Series 2012A Bonds are payable upon presentation and surrender of such Series 2012A Bonds at the principal corporate trust office of the Trustee and interest on the Series 2012A Bonds will be payable by check mailed on each Bond Payment Date to the registered holders thereof at their addresses appearing on the registration books maintained by the Trustee.

Redemption Prior to Maturity

Optional Redemption

The Series 2012A Bonds maturing on or after July 1, 2021 are subject to redemption prior to maturity on or after July 1, 2022, at the option of the College, as a whole or in part at any time, in denominations of \$5,000 or any integral multiple in excess thereof, at a Redemption Price equal to one hundred percent (100%) of the principal amount thereof, plus accrued interest to the redemption date.

Special Redemption

The Series 2012A Bonds are subject to redemption prior to maturity (1) as a whole, without premium, in the event of (a) a taking in Condemnation of, or failure of title to, all or substantially all of the Project Facility and election by the College to redeem the Series 2012A Bonds in accordance with the Loan Agreement, (b) damage to or destruction of part or all of the Project Facility and election by the College to redeem the Series 2012A Bonds in accordance with the Loan Agreement, or (c) a taking in Condemnation of part of the Project Facility and election by the College to redeem the Series 2012A Bonds in accordance with the Loan Agreement, or (2) as a whole, without premium, in the event that (a) the Loan Agreement shall have become void or unenforceable or impossible of performance in accordance with the intent and purposes of the parties as a result of any change in the United States Constitution or legislative or administrative action (whether state or federal), or by final decree or judgment of any court or administrative body, or (b) the Authorized Representative of the College certifies that unreasonable burdens or excessive liabilities have been imposed on the College or its property, including, without limitation, taxes not being imposed on the date of the Loan Agreement, or (3) in part, without premium, (a) in the event that (i) excess moneys remain in the Insurance and Condemnation Fund following damage or condemnation of a portion of the Project Facility and completion of the repair, rebuilding or restoration of the Project Facility by the College, and (ii) such excess moneys are not paid to the College pursuant to the Indenture, (b) in the event that excess moneys remain in the related account in the Project Fund after the Completion Date, or (c) in the event that excess proceeds of recoveries from contractors are applied to redeem Series 2012A Bonds pursuant to the Loan Agreement, in each case to the extent of such excess. In any such event, the Series 2012A Bonds shall be redeemed, as a whole or in part, as the case may be, on the earliest practicable date for which the Trustee can give notice of redemption at a Redemption Price equal to the principal amount thereof, plus accrued interest to the redemption date, without premium.

Mandatory Sinking Fund Redemption

The Series 2012A Bonds maturing on July 1, 2027 are subject to scheduled mandatory sinking fund redemption, by lot in such manner as the Trustee shall deem fair and appropriate for random selection, prior to maturity, commencing on July 1, 2025 and on each July 1 thereafter, by the application of Sinking Fund Payments at a Redemption Price equal to one hundred percent (100%) of the principal amount thereof, plus accrued interest to the Redemption Date, without premium, in the principal amounts set forth opposite the respective years below:

<u>Year</u>	<u>Sinking Fund Payments</u>
2025	
2026	
2027*	

*Maturity Date

The Series 2012A Bonds maturing on July 1, 2030 are subject to scheduled mandatory sinking fund redemption, by lot in such manner as the Trustee shall deem fair and appropriate for random selection, prior to maturity, commencing on July 1, 2028 and on each July 1 thereafter, by the application of Sinking Fund Payments at a Redemption Price equal to one hundred percent (100%) of the principal amount thereof, plus accrued interest to the Redemption Date, without premium, in the principal amounts set forth opposite the respective years below:

<u>Year</u>	<u>Sinking Fund Payments</u>
2028	
2029	
2030*	

*Maturity Date

The Series 2012A Bonds maturing on July 1, 2033 are subject to scheduled mandatory sinking fund redemption, by lot in such manner as the Trustee shall deem fair and appropriate for random selection, prior to maturity, commencing on July 1, 2031 and on each July 1 thereafter, by the application of Sinking Fund Payments at a Redemption Price equal to one hundred percent (100%) of the principal amount thereof, plus accrued interest to the Redemption Date, without premium, in the principal amounts set forth opposite the respective years below:

<u>Year</u>	<u>Sinking Fund Payments</u>
2031	
2032	
2033*	

*Maturity Date

Selection of Series 2012A Bonds to be Redeemed

If less than all of the Series 2012A Bonds are to be redeemed, the Series 2012A Bonds to be called for redemption shall be selected by lot by the Trustee.

Partial Redemption of Series 2012A Bonds

In the event of any partial redemption, the particular Series 2012A Bonds or portions thereof to be redeemed shall be selected by the Trustee not more than sixty (60) days prior to the Redemption Date from maturities designated in writing by the College, and within each maturity by lot or by such other method as the Trustee shall deem fair and appropriate, provided that for so long as the Series 2012A Bonds shall be Book-Entry Bonds, the particular Series 2012A Bonds or portions thereof to be redeemed within a maturity may be selected by lot by the Depository in such manner as the Depository may determine. If any maturity of the Series 2012A Bonds which is subject to sinking fund redemption is to be redeemed in part, the Trustee shall apply any partial redemption payments (other than a scheduled mandatory redemption) to the schedule of mandatory Sinking Fund Payments thereon as designated by the College. Further, the Trustee may provide for the selection for redemption of portions (equal to \$5,000 or any integral multiple of \$5,000 in excess thereof) of Series 2012A Bonds. In no event shall the principal amount of Series 2012A Bonds subject to any partial redemption be other than a whole multiple of \$5,000 thereof.

Notice of Redemption

Notice of redemption of the Series 2012A Bonds will be given by the Trustee one time by first class mail postage prepaid to the registered Owners of such Series 2012A Bonds at the address of such Owners shown on the Bond Register maintained by the Trustee not less than thirty (30) days prior nor more than sixty (60) days prior to the date fixed for redemption. A follow-up notice will be given by the Trustee by registered or certified mail to each registered Owner who has not submitted a Series 2012A Bond subject to redemption within ninety (90) days to one hundred twenty (120) days following the Redemption Date. The failure to give any such notice, or any defect therein, will not affect the validity of any proceeding for the redemption of any Series 2012A Bond with respect to which no such failure to give notice, or defect therein, has occurred. Any notice of optional redemption may provide (and shall provide if the College does not deposit with the Trustee moneys in any amount equal to the Redemption Price of the Series 2012A Bonds being redeemed at the time the College delivers to the Trustee its notice of its election to cause the redemption of such Series 2012A Bonds) that if, on the redemption date set forth in such notice, there is on deposit with the Trustee and available therefor insufficient funds to pay the Redemption Price of all Series 2012A Bonds scheduled to be redeemed, such redemption may be rescinded (in which case the Trustee shall promptly so notify the Holders of such Series 2012A Bonds in the same manner in which notice of redemption was given), and if such redemption is rescinded, the Series 2012A Bonds scheduled to be redeemed shall remain Outstanding as if the notice of redemption had not been sent.

Transfer and Exchange

The Trustee will cause a Bond Register to be kept on behalf of the Issuer at the Office of the Trustee for the registration and transfer of Series 2012A Bonds. Any Series 2012A Bond, upon the surrender of such Series 2012A Bond to the Trustee, may be transferred, but only upon delivery to the Trustee of an assignment duly executed by the registered Owner or his duly authorized legal representative in the form imprinted on the Series 2012A Bonds or in such other form as shall be satisfactory to the Trustee. Upon any such registration of transfer, the Issuer will execute and the Trustee will

authenticate and deliver in exchange for such Series 2012A Bond one or more new Series 2012A Bonds of the same maturity, executed by the Issuer, registered in the name of the designated transferee thereof, of any Authorized Denomination and for the same aggregate principal amount as the Series 2012A Bond or Series 2012A Bonds surrendered for transfer.

The Person in whose name any Series 2012A Bond shall be registered will be deemed and regarded as the absolute Owner thereof for all purposes, and payment of or on account of the principal of, or the premium if any or interest on, any such Series 2012A Bond will be made only to or upon the order of the registered Holder thereof of his duly authorized legal representative. Such registration may be changed only as provided in the Indenture, and no other notice to the Issuer or the Trustee will affect the rights or obligations with respect to the transference of any Series 2012A Bond or be effective to transfer any Series 2012A Bond. Subject to the provisions of the Indenture, all payments to the Person in whose name any Series 2012A Bond shall be registered will be valid and effective to satisfy and discharge the liability upon such Series 2012A Bond to the extent of the sum or sums so paid.

Whenever any Series 2012A Bonds are so surrendered for exchange, the Issuer will execute, and the Trustee will authenticate and deliver, the Series 2012A Bonds that the Holder making the exchange is entitled to receive.

The Trustee will not be required to make any transfer or exchange of (1) any Series 2012A Bond during the fifteen (15) days next preceding a Bond Payment Date or (2) any Series 2012A Bond selected for redemption in whole or in part. However, in the event of a Series 2012A Bond selected for redemption in part, the remaining portion of such Series 2012A Bond may be exchanged for a new Series 2012A Bond with a reduced principal amount.

Acceleration of Series 2012A Bonds

Upon the occurrence of an Event of Default under the Indenture (1) involving failure by the Issuer to make due and punctual payment of interest, premium or principal of any Series 2012A Bond, the Trustee shall, or (2) any other Event of Default under the Indenture, the Trustee may, and upon the written request of the Holders of not less than fifty-one percent (51%) in aggregate principal amount of Series 2012A Bonds outstanding, the Trustee shall, declare the entire principal amount of all Series 2012A Bonds then Outstanding and the interest accrued thereon to be immediately due and payable, and such principal and interest will thereupon become and be immediately due and payable. Upon any such declaration, the Trustee shall immediately declare an amount equal to all amounts then due and payable on the Series 2012A Bonds to be immediately due and payable under the Loan Agreement. Upon the occurrence of any declaration of acceleration by the Trustee, the principal of the Series 2012A Bonds then Outstanding and the interest accrued thereon will thereupon become and be immediately due and payable, and interest will continue to accrue thereon until the date of payment. For a description of the Events of Default under the Indenture, see APPENDIX C – Glossary and Summaries of Certain Provisions of Certain of the Bond Documents.”

Book-Entry Only System

Unless otherwise noted, the description which follows of the procedures and record keeping with respect to beneficial ownership interests in the Series 2012A Bonds, payment of interest and other payments on the Series 2012A Bonds to DTC Participants or Beneficial Owners of the Series 2012A Bonds, confirmation and transfer of beneficial ownership interests in the Series 2012A Bonds and other bond-related transactions by and between DTC, the DTC Participants and Beneficial Owners of the Series 2012A Bonds is based solely on information furnished by DTC for inclusion in this Official Statement. Accordingly, the Issuer, the College, the Trustee and the Underwriter do not and cannot make any representations concerning these matters.

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2012A Bonds. The Series 2012A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2012A Bond certificate will be issued for each maturity of the Series 2012A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also

facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Series 2012A Bonds Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Series 2012A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2012A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2012A Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2012A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2012A Bonds, except in the event that use of the book-entry system for the Series 2012A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2012A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2012A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2012A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2012A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to DTC. If less than all of the Series 2012A Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2012A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer 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 Series 2012A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2012A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2012A Bonds at any time by giving reasonable notice to the Issuer. Under such circumstances, in the event that a successor depository is not obtained, Series 2012A Bond certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Series 2012A Bond certificates will be printed and delivered to DTC.

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

NEITHER THE ISSUER, THE COLLEGE, THE UNDERWRITER NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO THE PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO: (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (2) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL, REDEMPTION PRICE OR PURCHASE PRICE OR INTEREST ON THE SERIES 2012A BONDS; (3) THE DELIVERY BY DTC OR ANY DTC PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO BONDOWNERS; (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2012A BONDS; OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDOWNER.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE SERIES 2012A BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDOWNERS OR REGISTERED HOLDERS OF THE SERIES 2012A BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2012A BONDS.

DEBT SERVICE REQUIREMENTS

The following table sets forth the long-term debt service requirements of the College for each Bond Year ending July 1 of the years shown for (i) the payment of the principal and Sinking Fund Payments on the Series 2012A Bonds, payable on July 1 of each such period and the interest payments coming due during each such period with respect to the Series 2012A Bonds, (ii) the estimated total aggregate debt service payments coming due during such period with respect to the Series 2012A Bonds, (iii) the estimated total aggregate debt service payments coming due during such period with respect to other outstanding debt of the College, and (iv) the estimated total aggregate debt service payments coming due during such period with respect to the Series 2012A Bonds and other outstanding debt of the College.

Bond Year Ending <u>July 1</u>	<u>Series 2012A Bonds</u>		Total Debt Service on <u>Series 2012A Bonds</u>	Total Debt Service on Other <u>Outstanding Debt (2)(3)</u>	<u>Total Debt Service (4)</u>
	<u>Principal</u>	<u>Interest</u>			
2012				\$2,956,619	
2013				3,976,615	
2014				4,651,979	
2015				4,367,679	
2016				4,474,779	
2017				2,769,879	
2018				21,806,700	
2019				2,273,063	
2020				2,273,063	
2021				2,276,663	
2022				2,777,475	
2023				3,296,638	
2024				3,304,138	
2025	(1)			3,296,138	
2026	(1)			3,303,138	
2027	(1)			3,304,138	
2028	(1)			3,304,138	
2029	(1)			3,307,888	
2030	(1)			1,924,888	
2031	(1)			3,269,138	
2032	(1)			187,388	
2033	(1)			4,132,388	
2034				-	
2035				-	
2036				-	
2037				-	
2038				-	
2039				-	
2040				-	
2041				-	

(1) Sinking Fund Installment.

(2) Does not include the Prior Bonds being refunded by the Series 2012A Bonds.

(3) Consists of certain outstanding debt, including (i) the 2033 maturity of the 2003A Bonds not being refunded by the Series 2012A Bonds, (ii) the City of Schenectady Industrial Development Agency Civic Facility Revenue Bonds (Union College Project), Series 2005 (the "Series 2005 Bonds"), (iii) the Schenectady County Capital Resource Corporation Tax-Exempt Revenue Bonds (Union College Project), Series 2010A (the "Series 2010 Bonds") and (iv) a taxable loan from JPMorgan Chase (the "Taxable Loan"). The interest rates on the Series 2005 Bonds, the Series 2010 Bonds and the Taxable Loan are based upon the assumptions that (a) the Series 2005 Bonds bear interest at 3.595%, the fixed rate payable by the College under an existing interest rate swap agreement with respect to the Series 2005 Bonds, (b) the Series 2010 Bonds bear interest at 2.358%, the fixed rate payable by the College under an existing swap agreement with respect to the Series 2010 Bonds and (c) the Taxable Loan bears interest at 3.38%. The University currently expects to refinance the Series 2010 Bonds and the Taxable Loan prior to their respective maturities in 2018, but there can be no assurances that this will occur. For more detailed information, see "APPENDIX A – Certain Information Concerning the College – Outstanding Indebtedness."

(4) Totals may not add due to rounding.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012A BONDS

The Series 2012A Bonds will be secured by (i) the assignment effected by the Pledge and Assignment of the Issuer's rights and remedies under the Loan Agreement (except with respect to the Unassigned Rights), including the right to collect and receive loan payments required to be made thereunder and (ii) all other moneys and securities held from time to time by the Trustee for the Bondholders pursuant to the Indenture and all proceeds of the Series 2012A Bonds prior to the disbursement pursuant to the terms of the Indenture and the Loan Agreement, except moneys held in the Rebate Fund.

Loan Agreement

Under the Loan Agreement, the College will be absolutely and unconditionally obligated to make loan payments to the Trustee, as the assignee of the Issuer, sufficient to provide for the payment of the principal of, and interest and premium, if any, on the Series 2012A Bonds when due, and to provide for deposits to the Bond Fund, if required, at the times and in the amounts required by the Indenture and the Loan Agreement.

Pledge and Assignment

Pursuant to the Pledge and Assignment, the Issuer will assign to the Trustee certain of the Issuer's rights under the Loan Agreement. Payments made by the College under the Loan Agreement are to be paid directly to the Trustee. See APPENDIX C – Glossary and Summaries of Certain Provisions of Certain of the Bond Documents.”

THE ISSUER

Purpose and Powers

The Issuer is a not-for-profit local development corporation having an office for the transaction of business located at 433 State Street, Schenectady, New York 12305. The Issuer was formed pursuant to the Act for the purpose of undertaking projects and activities within the County for the purposes of promoting community and economic development and the creation of jobs in the non-profit and for-profit sectors for the citizens of the County by developing and providing programs for non-for-profit institutions, manufacturing and industrial businesses and other entities to access low interest tax-exempt and non-tax-exempt financing for their eligible projects, relieving and reducing unemployment, bettering and maintaining job opportunities, carrying on scientific research for the purpose of aiding the County by attracting new industry to the County or by encouraging the development of, or retention of, an industry in the County and lessening the burdens of government and acting in the public interest.

Under the Act, the Issuer has the power to acquire, hold and dispose of personal property for its corporate purposes; to acquire, use for its corporate purposes and dispose of real property within the corporate limits of the County; to appoint officers, agents and employees; to make contracts and leases; to acquire, construct, reconstruct, lease, improve, maintain, equip or furnish one or more projects; to borrow money and issue bonds and to provide for the rights of the holders thereof; to grant options to renew any lease with respect to any project and to grant options to buy any project at such price as the Issuer may deem desirable; to designate depositories of its moneys; and to do all things necessary or convenient to carry out its purposes and exercise the powers given in the Act.

Limited Recourse on Series 2012A Bonds and the Issuer

THE SERIES 2012A BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM THE PAYMENTS MADE UNDER THE LOAN AGREEMENT, FROM THE MONEYS AND SECURITIES HELD BY THE TRUSTEE UNDER THE INDENTURE, AND THE SECURITY PROVIDED BY THE PLEDGE AND ASSIGNMENT. NEITHER THE ISSUER NOR ITS MEMBERS OR OFFICERS ARE PERSONALLY LIABLE WITH RESPECT TO THE SERIES 2012A BONDS. ACCORDINGLY, NO FINANCIAL INFORMATION WITH RESPECT TO THE ISSUER OR ITS MEMBERS OR OFFICERS HAS BEEN INCLUDED IN THIS OFFICIAL STATEMENT.

THE SERIES 2012A BONDS SHALL NOT BE A DEBT OF THE STATE OR THE COUNTY, AND NEITHER THE STATE NOR THE COUNTY SHALL BE LIABLE THEREON. THE ISSUER HAS NO TAXING POWER.

Except for the information contained herein under the caption "THE ISSUER" and "LITIGATION" insofar as it relates to the Issuer, the Issuer has not provided any of the information contained in this Official Statement. The Issuer is not responsible for and does not certify as to the accuracy or sufficiency of the disclosures made herein or any other information provided by the College, the Underwriter or any other person.

THE COLLEGE

The College is an independent, coeducational, undergraduate liberal arts college located in the City of Schenectady, New York. The College has the sole responsibility for paying the debt service payments to become due on the Series 2012A Bonds. Certain information, including financial information, concerning the College is included in Appendices A and B hereto.

THE PROJECT

The Project

The proceeds of the Series 2012A Bonds will be used for the following purposes:

(A) to refund and pay in full or in part the outstanding principal amount of the Series 2001A Bonds, the proceeds of which were used for (1)(a) the acquisition of various interests (collectively, the "Series 2001 Land") in the real estate composing the campus operated by the College in the City of Schenectady, Schenectady County, New York (the "Campus"), together with various existing educational, administrative, athletic and housing buildings located thereon (collectively, the "Series 2001 Existing Facility"), (b) the renovation of the Series 2001 Existing Facility and the construction on the Series 2001 Land of various educational, administrative, athletic and housing buildings (collectively, the "Series 2001 New Facility"), (c) the construction on the Series 2001 Land of various improvements (the "First Series 2001 Improvements"), said First Series 2001 Improvements to include streetscape improvements, (d) the acquisition and installation therein and thereon of certain machinery and equipment (the "First Series 2001 Equipment"), (e) the performance of deferred and ongoing maintenance's of the Existing Facility as proscribed in the College's annual capital budget (the "Series 2001 Capital Repairs"), (f) the construction on the Series 2001 Land of various streetscape improvements as proscribed in the College's annual capital budget (the "Second Series 2001 Improvements"), (g) the acquisition and installation therein and thereon of certain machinery and equipment as proscribed in the College's annual capital budget (the "Second Series 2001 Equipment"), (h) the acquisition of an interest in various parcels of land comprising a portion of the Campus (the "Series 2001 Refunding Land"), together with certain existing buildings located thereon, including the Alumni Gym, Reamer College Center and the Yulman Theater (collectively, the "Series 2001 Refunding Facility"), and certain machinery and equipment located therein and thereon (collectively, the "Series 2001 Refunding Equipment") (the Series 2001 Refunding Land, the Series 2001 Refunding Facility and the Series 2001 Refunding Equipment being collectively referred to as the "Series 2001 Refunding Project Facility") and (i) the refinancing and/or refunding of certain existing indebtedness incurred by the College to finance construction, renovation and equipping of the Series 2001 Refunding Project Facility and other capital financing needs of the College (the Series 2001 Land, the Series 2001 Existing Facility, the Series 2001 New Facility, the First Series 2001 Improvements, the First Series 2001 Equipment, the Series 2001 Capital Repairs, the Second Series 2001 Improvements, the Second Series 2001 Equipment, the Series 2001 Refunding Land, the Series 2001 Refunding Facility and the Series 2001 Refunding Equipment being collectively referred to as the "Series 2001 Project Facility"), (2) the financing of all or a portion of the costs of the foregoing by the issuance of the Series 2001A Bonds; and (3) the sale of the Series 2001 Project Facility by the Schenectady County Industrial Development Agency to the College;

(B) to refund and pay in full or in part the outstanding principal amount of the Series 2003A Bonds, the proceeds of which were used for (1)(a) the acquisition of an interest in a parcel of land located at 450 Nott Street in the City of Schenectady, New York (the "Series 2003 Off Campus Land"); (b) the renovation and reconstruction of the existing facility located thereon (the "Series 2003 Existing Facility") for use as student housing; (c) improvements in connection with the renovation of the Series 2003 Existing Facility, including construction of a pedestrian walkway through the former Main Care site, 205 Park Place or through 213 Park Place (each property owned by the College) to the Series 2003 Off-Campus Land (the "Series 2003 Related Improvements"); (d) the acquisition and installation in the Series 2003 Existing Facility of certain machinery and equipment (the "Series 2003 Off Campus Equipment" and, together with the Series 2003 Off Campus Land, the Series 2003 Existing Facility and the Series 2003 Related Improvements, the "Series 2003 Off Campus Project Facility"); (e) the acquisition of an interest in various parcels of land comprising the Campus (the "Series 2003 Campus Land"), together with various existing educational, administrative, athletic and housing buildings located thereon

(the "Series 2003 Campus Existing Facility"), (f) the deferred and on-going maintenance of the Series 2003 Campus Existing Facility as proscribed in the College's annual capital budget (the "Series 2003 Capital Repairs"), and (g) the acquisition and installation in the Series 2003 Campus Existing Facility of certain machinery and equipment (the "Series 2003 Campus Equipment") (the Series 2003 Campus Land, the Series 2003 Campus Existing Facility, the Series 2003 Capital Repairs and the Series 2003 Equipment being collectively referred to as the "Series 2003 Campus Project Facility" (the Series 2003 Off-Campus Project Facility and the Series 2003 Campus Project Facility being collectively referred to as the "Series 2003 Project Facility"), all of the foregoing constituting an educational facility and other directly and indirectly related activities for use by the College (the Series 2001 Project Facility and the Series 2003 Project Facility are sometimes hereinafter collectively referred to as the "Initial Project Facility"); (2) the financing of all or a portion of the costs of the foregoing by the issuance of the Series 2003A Bonds; (3) the sale of the Series 2003 Project Facility by the City of Schenectady Industrial Development Agency to the College; (4) the financing of all or a portion of the costs of the foregoing by the issuance of revenue bonds of the Issuer in one or more issues or Series in an aggregate principal amount sufficient to pay the cost of undertaking the Initial Project, together with necessary incidental costs in connection therewith, in an amount then estimated to be approximately \$25,000,000 and in any event not to exceed \$25,000,000 (the "Obligations"); and (5) paying a portion of the costs incidental to the issuance of the Obligations, including issuance costs of the Obligations and any reserve funds as may be necessary to secure the Obligations; and

(C) to pay certain costs and expenses incidental to the issuance of the Series 2012A Bonds.

The Refunding Financing Plan

Upon delivery of the Series 2012A Bonds, a portion of the proceeds of the Series 2012A Bonds and certain amounts held by the trustee for each issue of the Prior Bonds (each, a "Prior Trustee" and jointly, the "Prior Trustees") will be used to acquire non-callable direct obligations of the United States of America (the "Defeasance Obligations"), the principal of which, when due, together with any initial cash deposit, will provide moneys sufficient to pay, when due, the interest on, principal of and premium, if any, on the outstanding Prior Bonds through and including their stated maturity or until their prior redemption. The Series 2001A Bonds will be redeemed, in their entirety, on July 1, 2012 and the Series 2003A Bonds will be redeemed, in their entirety or in part, on July 1, 2013.

The Defeasance Obligations will be deposited with the Prior Trustees and will be held in trust pursuant to an irrevocable letter of instructions solely for the payment of debt service on the Prior Bonds. In the opinion of Bond Counsel, upon making such deposits with each Prior Trustee and delivery of irrevocable instructions to each Prior Trustee, the Prior Bonds will, under the terms of the respective trust indenture under which each issue of Prior Bonds was issued (collectively, the "Prior Indentures"), be deemed to have been paid and will no longer be deemed outstanding under the Prior Indentures and the pledge of all other rights granted by the Prior Indentures as to the Prior Bonds will be discharged and satisfied.

Verification of Mathematical Computations

BondResource Partners, LP, a firm of independent certified public accountants will deliver to the Issuer and to the College its reports 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 Issuer, the College, the Underwriter and their respective representatives. Included in the scope of its examination will be a verification of the mathematical accuracy of: (a) the mathematical computations of the sufficiency of the cash, the maturing principal of and the interest on the Defeasance Obligations deposited with the Prior Trustees to pay the principal, interest and redemption price coming due on the Prior Bonds on and prior to their respective maturity or redemption dates; and (b) the mathematical computations supporting the conclusion of Bond Counsel that the Series 2012A Bonds are not "arbitrage bonds" under the Code and the applicable income tax regulations. BondResource Partners, LP will express no opinion on the reasonableness of the assumptions provided to them, the likelihood that the principal of and interest on the Series 2012A Bonds will be paid as described in the schedules provided to them, or the exclusion of the interest on the Series 2012A Bonds from gross income for federal income tax purposes.

The verification performed by BondResource Partners, LP will be solely based upon data, information and documents provided to BondResource Partners, LP by the College and its representatives. BondResource Partners, LP's reports of its verification will state BondResource Partners, LP has no obligations to update the report because of events occurring, or data or information coming to their attention, subsequent to the date of the report.

SOURCES AND USES OF BOND PROCEEDS

The proceeds of the Series 2012A Bonds are expected to be used as follows:

Estimated Sources of Bond Proceeds

Par Amount of Series 2012A Bonds	\$
Plus Original Issue Premium	
Total Sources of Bond Proceeds	\$

Estimated Uses of Bond Proceeds

Deposit to Escrow Fund (Series 2001A Bonds)	\$
Deposit to Escrow Fund (Series 2003A Bonds)	\$
Costs of Issuance ⁽¹⁾	
Total Uses of Bond Proceeds	\$

- ⁽¹⁾ Estimated amount to provide for Underwriter's discount, legal fees, Trustee fees, Issuer fees, printing fees and associated bond issuance costs related to the Series 2012A Bonds.

BONDHOLDERS' RISKS

The following is a discussion of certain risks that could affect payments to be made with respect to the Series 2012A Bonds. Such discussion is not and is not intended to be exhaustive, should be read in conjunction with all other parts of this Official Statement and should not be considered as a complete description of all risks that could affect such payments. Prospective purchasers of the Series 2012A Bonds should analyze carefully the information contained in this Official Statement, including the Appendices hereto, and additional information in the form of the complete documents summarized herein, copies of which are available as described in this Official Statement. Purchasers of the Series 2012A Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States of America), property or casualty insurance companies, banks or other financial institutions or certain recipients of Social Security benefits, are advised to consult their tax advisors as to the tax consequences of purchasing or holding the Series 2012A Bonds. See "TAX MATTERS" herein.

General

The Series 2012A Bonds are payable from payments to be made by the College under the Loan Agreement. The ability of the College to comply with its obligations under the Loan Agreement depends primarily upon the ability of the College to continue to attract sufficient tuition-paying students to its educational programs, to obtain sufficient revenues from related activities and to maintain sufficient creditworthiness. The College expects that revenues derived from its ongoing operations, together with other available resources, will at all times be sufficient to make the required payments on the Loan Agreement and the College will covenant under the Loan Agreement to make all such payments when due. There are certain risks, however, which might prevent the College from obtaining sufficient revenues from tuition and other sources to meet all of its obligations, including its obligations under the Loan Agreement. Purchasers of the Series 2012A Bonds should bear in mind that the occurrence of any number of events could adversely affect the ability of the College to generate such revenues. Future economic, demographic and other conditions, including the demand for educational services, the ability of the College to provide the services required by students, economic developments in the County of Schenectady, New York area and competition from other educational institutions, together with changes in costs, may adversely affect revenues and expenses and, consequently, the ability of the College to provide for payments. The future financial condition of the College could also be adversely affected by, among other things, legislation and regulatory actions, and a number of other conditions which are unpredictable.

Risks of Early Payment

The Series 2012A Bonds may be required to be paid prior to maturity upon optional, mandatory or special redemption (as described under "THE SERIES 2012A BONDS" herein) and upon an acceleration following the occurrence

of certain Events of Default under the Indenture and the Loan Agreement. If the Series 2012A Bonds become due upon an acceleration, interest on the Series 2012A Bonds shall cease to accrue on the date of the accelerated payment and no premium would be payable.

No Collateral

The Series 2012A Bonds are payable solely from amounts payable by the College under the Loan Agreement. No mortgage lien on or security interest in any property of the College has been granted to secure payment of the Series 2012A Bonds.

No Debt Service Reserve Fund

The payment of principal of, redemption price of and interest on the Series 2012A Bonds will not be secured by a debt service reserve fund.

No Financial Covenants

The Loan Agreement does not provide for financial covenants to be satisfied by the College with respect to the incurrence of additional indebtedness by the College.

Financial Assistance

The amount of available financial assistance is a significant factor in the decision of many students to attend a particular college or university. Approximately 74% of the College's undergraduate students receive some form of financial assistance from the College. The level of financial assistance is directly affected by funding levels of federal, state and other financial aid programs. Any significant reduction in the level of financial assistance offered to prospective students could reduce the number of students enrolling at the College.

Investment Income

The College's endowment funds are professionally managed by outside asset management firms. Committees of the Board of Trustees periodically review the asset allocation of the investment pool in the context of the primary financial objective to provide funds for the current and future operations of the College, including its programs and affiliates. An equally important objective is the financial goal of preserving and enhancing the endowment fund's inflation-adjusted purchasing power, while providing a relatively predictable, stable and continuous stream of income. Although the unrestricted portion of the College's endowment funds and the payout therefrom are available for debt service payments on the Series 2012A Bonds, no assurance can be given that unforeseen developments in the securities markets will not have an adverse effect on the market value of those investments and the income generated therefrom.

Fund Raising

The College has raised funds to finance its operations and capital development programs from a variety of benefactors. Although it plans to continue those efforts in the future, there can be no assurance that those efforts will be successful. Such efforts may be adversely affected by a number of factors, including general economic conditions and tax law changes affecting the deductibility of charitable contributions.

Risks as Employer

The College is a major employer, combining a complex mix of tenured and untenured full-time faculty, part-time faculty, technical and clerical support staff, maintenance and other types of workers in a single operation. As with all large employers, the College bears a wide variety of risks in connection with its employees. These risks include strikes and other related work actions, contract disputes, discrimination claims, personal tort actions, work-related injuries, exposure to hazardous materials, interpersonal torts (such as between employees or between employees and students) and other risks that may flow from the relationships between employer and employee or between students and employees. Certain of these risks are not covered by insurance, and certain of them cannot be anticipated or prevented in advance.

Changes in Law

Changes in law may impose new or added financial or other burdens on the operations of the College. Developments may include: (i) legislative or regulatory requirements for maintaining status as an organization exempt from taxation as described in Section 501(c)(3) of the Code; or (ii) challenges to State and local exemptions from real property tax and other taxes. It is not possible to predict the scope or effect of future legislative or regulatory actions with respect to taxation of not-for-profit corporations. There can be no assurance that future changes in the laws and regulations will not materially adversely affect the operations and financial condition of the College by requiring it to pay income or real property taxes (or other *ad valorem* taxes).

Event of Taxability

If the College does not comply with certain covenants set forth in the Loan Agreement or if certain representations or warranties made by the College in the Loan Agreement or in certain certificates of the College are false or misleading, the interest paid or payable on the Series 2012A Bonds may become subject to inclusion in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2012A Bonds, regardless of the date on which such noncompliance or misrepresentation is ascertained. In the event that the interest on the Series 2012A Bonds becomes subject to inclusion in gross income for federal income tax purposes, the Indenture does not provide for payment of any additional interest on the Series 2012A Bonds, the redemption of the Series 2012A Bonds or the acceleration of the payment of principal on the Series 2012A Bonds.

Maintenance of 501(c)(3) Status

The federal tax-exempt status of the Series 2012A Bonds presently depends upon maintenance by the College of its status as an organization described in Section 501(c)(3) of the Code. The College qualifies as a tax-exempt organization described in Section 501(c)(3) of the Code. To maintain such status, the College must conduct its operations in a manner consistent with representations previously made to the IRS and with current and future IRS regulations and rulings.

Compliance with current and future regulations and rulings of the IRS could adversely affect the ability of the College to charge and collect revenues, finance or refinance indebtedness on a tax-exempt basis or otherwise generate revenues necessary to provide for payment of the Series 2012A Bonds. Although the College has covenanted to maintain its status as a tax-exempt organization, loss of tax-exempt status would likely have a significant adverse effect on such organization and its operations and could result in the includability of interest on the Series 2012A Bonds in gross income for federal income tax purposes retroactive to their date of issue. See "TAX MATTERS" herein.

The tax-exempt status of nonprofit corporations, and the exclusion of income earned by them from taxation, has been the subject of review by various federal, state and local legislative, regulatory and judicial bodies. This review has included proposals to broaden and strengthen existing federal tax law with respect to unrelated business income of nonprofit corporations.

There can be, however, no assurance that future changes in the laws and regulations of the federal, state or local governments will not materially and adversely affect the operations and revenues of the College by requiring it to pay income, real estate or other taxes.

The status of the College as an organization described under Section 501(c)(3) of the Code is one of the bases for the exemption afforded the Series 2012A Bonds from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"). Should the College lose its status under Section 501(c)(3) of the Code, the holder of the Series 2012A Bonds could be precluded from selling the Series 2012A Bonds absent the application of a separate exemption from the registration requirements of the Securities Act.

Tax Audits

Taxing authorities have recently been conducting tax audits on non-profit organizations to confirm that such organizations are in compliance with applicable tax rules and in some instances have collected significant payments as part of the settlement process. The College is not currently under audit.

Additional Bonds

Additional indebtedness may be incurred by the College and may be secured by the issuance of the Additional Bonds under the Indenture secured on a parity with the Series 2012A Bonds and all other Bonds issued under the Indenture. See APPENDIX C – “GLOSSARY AND SUMMARIES OF CERTAIN PROVISIONS OF CERTAIN OF THE BOND DOCUMENTS.”

Certain Matters Relating to Enforceability of the Loan Agreement

The obligation of the College to make payments on the Loan Agreement will be limited as the obligations of debtors typically are affected by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar laws or by equitable principles affecting the enforcement of creditors' rights. The College may file for the reduction or elimination of its debts in a proceeding under the federal Bankruptcy Code, which could include provisions modifying, eliminating or altering the rights of creditors generally, or any class of them, secured or unsecured. If the College should file a plan of reorganization (“Plan”), when confirmed by the court, such Plan binds all creditors who had notice or knowledge of the Plan and discharges all claims against the debtor provided for in the Plan. No Plan may be confirmed unless certain conditions are met, among which are that the Plan is in the best interests of creditors, is feasible and has been accepted by each class of claims impaired thereunder. Each class of claims has accepted the Plan if at least two-thirds in dollar amount and more than one-half in number of the allowed claims of the class that are voted with respect to the Plan are cast in its favor. Even if the Plan is not so accepted, it may be confirmed if the court finds that the Plan is fair and equitable with respect to each class of non-accepting creditors impaired thereunder and does not discriminate unfairly.

In addition, there exists common law authority and authority under State statutes for the ability of the State courts to terminate the existence of a not-for-profit corporation or undertake supervision of its affairs on various grounds, including a finding that such corporation has insufficient assets to carry out its stated charitable purposes or has taken some action which renders it unable to carry out such purposes. Such court action may arise on the court's own motion or pursuant to a petition of the State Attorney General or such other persons who have interests different from those of the general public, pursuant to the common law and statutory power to enforce charitable trusts and to see to the application of their funds to their intended charitable uses.

Secondary Market for the Series 2012A Bonds

There can be no assurance that there will be a secondary market for purchase or sale of the Series 2012A Bonds. From time to time there may be no market for the Series 2012A Bonds depending upon prevailing market conditions, including the financial condition or market position of firms who may make the secondary market, the evaluation of the College's capabilities and the financial condition and results of operations of the College.

Hedging Transactions

As described above under “DEBT SERVICE REQUIREMENTS” and in APPENDIX A – Certain Information Concerning the College – Outstanding Indebtedness,” the College entered into an interest rate swap agreements with respect to the Series 2005 Bonds and the Series 2010 Bonds (collectively, the “Swap Agreements”). Under certain circumstances, the Swap Agreements could terminate prior to their stated terminate dates. Therefore, there can be no assurance that the Swap Agreements will remain in place for the term of the Series 2012A Bonds.

Additionally, the College may from time to time enter into other hedging arrangements to hedge the interest payable or manage interest cost on certain of its indebtedness, assets, or other derivative arrangements.. Changes in the market value of such agreements could have a negative impact on the College's operating results and financial condition, and such impact could be material. The Swap Agreements are, and any future hedging agreement may be, subject to early termination upon the occurrence of certain events. If neither the College nor the counterparties terminate either of the Swap Agreements or any hedge agreement entered into in the future when such agreement has a negative value to the College, the College could be obligated to make a substantial termination payment, which could materially adversely affect the financial condition of the College.

Impact of Market Turmoil

Over the past several years, the economies of the United States and other countries have been experiencing a high level of disruption, prompting a number of banks and other financial institutions to seek additional capital, including capital provided from governmental and quasi-governmental sources, to merge, and, in some cases, to cease operations. These

events collectively have led to significant reductions in lending capacity and the extension of credit, erosion of investor confidence in the financial sector, and historically aberrant fluctuations in interest rates. This disruption of the credit and financial markets has led to volatility in domestic and international securities markets, significant losses in investment portfolios, increased business failures and consumer and business bankruptcies.

Federal legislation has been enacted and regulatory and other initiatives were implemented by agencies of the Federal government and the Federal Reserve Board with the objective of stabilizing the financial markets by enhancing liquidity, providing additional capital to the financial sector and improving the performance and efficiency of credit markets. In the United States, additional legislation and regulatory action is being considered and foreign governments are implementing actions, all of which are intended to restore stability to the domestic and global credit markets. It is unclear whether these legislative, regulatory and other governmental actions will have the positive effect that is intended. The economic environment may adversely affect the operations of the College.

CONTINUING DISCLOSURE OBLIGATIONS

The Issuer has determined that no financial or operating data concerning the Issuer is material to any decision to purchase, hold or sell the Series 2012A Bonds and the Issuer will not provide any such information. In accordance with the requirements of Rule 15c2-12 (the "Rule") promulgated by the U.S. Securities and Exchange Commission (the "SEC"), the College has undertaken all responsibilities for any continuing disclosure to Bondholders as provided below, and the Issuer shall have no liability with respect to such disclosures.

The College has covenanted for the benefit of Bondholders to provide certain financial information and operating data relating to the College by not later than one hundred fifty (150) days after the close of its fiscal year in each year commencing June 30, 2011 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed with the Electronic Municipal Market Access ("EMMA") system of the Municipal Securities Rulemaking Board ("MSRB") or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule. The specific nature of the information to be contained in the Annual Report or the notices of material events, and the circumstances under which changes to this continued disclosure undertaking may be made, are contained in the Continuing Disclosure Agreement, a copy of which may be obtained from the College upon written request. This undertaking has been made in order to assist the Underwriter in complying with SEC Rule 15c2-12(b)(5). The College has complied with its continuing disclosure obligations for each of the prior five years.

Requests for information in connection with this undertaking should be directed to Union College, 807 Union Street, Schenectady, New York 12305, Attention Vice President for Finance and Administration (Telephone: (518) 388-6104).

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hodgson Russ LLP, Albany, New York, Bond Counsel, under existing law, (1) interest on the Series 2012A Bonds is excludable from the gross income of the owners thereof for federal income tax purposes, assuming compliance with certain covenants and the accuracy of certain representations, and is not an "item of tax preference" for purposes of the individual and corporate alternative minimum taxes imposed by the Code; except that (a) the College or another Person, by failing to comply with the requirements contained in the Code, may cause interest on the Series 2012A Bonds to become subject to federal income taxation from the date of issuance thereof, and (b) interest on the Series 2012A Bonds is included in the tax base for purposes of computing the alternative minimum tax on corporations under Section 56 of the Code and the branch profits tax under Section 884 of the Code; and (2) so long as interest on the Series 2012A Bonds is excluded from gross income for federal income tax purposes, interest on the Series 2012A 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).

Tax Requirements

In rendering the foregoing opinions, Bond Counsel noted that exclusion of the interest on the Series 2012A Bonds from gross income for federal income tax purposes may be dependent, among other things, on compliance with the applicable requirements of Sections 145, 147, 148 and 149 of the Code and the regulations thereunder (collectively, the "Tax Requirements"). In the opinion of Bond Counsel, the Tax Regulatory Agreement and the other Financing Documents

establish requirements and procedures, compliance with which will satisfy the Tax Requirements. Bond Counsel does note, however, that compliance with certain Tax Requirements necessary to maintain the exclusion from gross income for federal income tax purposes of the interest on the Series 2012A Bonds may necessitate the taking of action, or refraining to take action, by persons not within the control of the Issuer or the College. The Tax Requirements referred to above, which must be complied with in order that interest on the Series 2012A Bonds remain excluded from gross income for federal income tax purposes, include, but are not limited to:

(1) The requirement that at least ninety-five percent (95%) of the net proceeds of the Series 2012A Bonds (i.e., proceeds of the issue minus amounts invested in a reasonably required reserve or replacement fund) actually expended, be expended for facilities owned and used exclusively by state or local governmental units or one or more Section 501 (c)(3) organizations in a trade or business related to the Section 501 (c)(3) organization's purposes (such costs are hereinafter referred to as "Qualified Costs"). In computing the net proceeds of the Series 2012A Bonds, the costs of issuance shall not be treated as spent on Qualified Costs, and therefore must be paid from the so-called five percent (5%) "bad money" portion of the issue. The College, in the Tax Regulatory Agreement, has indicated that at least ninety-five percent (95%) of the net proceeds of the Series 2012A Bonds will be spent on Qualified Costs.

(2) The requirement that not more than two percent (2%) of the proceeds of the Series 2012A Bonds be utilized to finance the costs of the issuance of the Series 2012A Bonds. The College has indicated in the Tax Regulatory Agreement that not more than two percent (2%) of the proceeds of the Series 2012A Bonds will be utilized to finance the costs of issuance of the Series 2012A Bonds.

(3) The requirements contained in Section 148 of the Code relating to arbitrage bonds, including but not limited to the requirement that, unless the College satisfies one of the applicable exceptions provided by Section 148 of the Code, the excess of all amounts earned on the investment of the Gross Proceeds of the Series 2012A Bonds over that which would have been earned on such Gross Proceeds had such Gross Proceeds been invested at a Yield equal to that on the Series 2012A Bonds, and any investment income earned on such excess, be rebated to the United States. The College has agreed in the Tax Regulatory Agreement and in the Installment Sale Agreement to comply with the requirements of Section 148 of the Code.

(4) The requirement that the Initial Project Facility not be used for a purpose prohibited under Section 147(e) of the Code (relating to, among others, any facility primarily used for gambling, or store, the principal business of which is the sale of alcoholic beverages for consumption off premises).

(5) The requirement contained in Section 149(b) of the Code that payment of principal or interest on the Series 2012A Bonds not be directly or indirectly guaranteed (in whole or in part) by the United States (or any agency or instrumentality thereof).

You should also be advised that the Series 2012A Bonds are subject to, among others, the following provisions contained in the Code:

(1) interest paid by certain financial institutions on debt allocable to the cost of acquiring and carrying the Series 2012A Bonds is not deductible from Federal income taxation;

(2) interest on the Series 2012A Bonds, if held by certain foreign corporations, may also be subject to a branch profits tax of up to 30%; and

(3) a property and casualty insurance company's deduction for losses incurred is reduced by 15% on tax-exempt income received from the Series 2012A Bonds.

All quotations from and summaries and explanations of provisions of laws do not purport to be complete and reference is made to such laws for full and complete statements of their provisions.

Other Impacts

Prospective purchasers of the Series 2012A Bonds should be aware that ownership of, accrual or receipt of interest on, or disposition of, the Series 2012A Bonds may have collateral federal income tax consequences for certain taxpayers, including financial institutions, property and casualty insurance companies, S Corporations, certain foreign corporations,

individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry such obligations. Prospective purchasers should consult their tax advisers as to any possible collateral consequences from their ownership of, or receipt of interest on, or disposition of, the Series 2012A Bonds. Bond Counsel expresses no opinion regarding any such collateral federal income tax consequences.

Future Legislation

Bond Counsel has not undertaken to advise in the future whether any events occurring after the date of issuance of the Series 2012A Bonds may affect the tax status of interest on the Series 2012A Bonds. The Code has been continuously subject to legislative modifications, amendments and revisions and proposals for further changes are regularly submitted by leaders of the legislative and executive branches of the federal government. No representation is made as to the likelihood of such proposals being enacted in their current or similar form, or if enacted, the effective date of any such legislation and no assurances can be given that such proposals or amendments will not materially and adversely affect the economic value of the Series 2012A Bonds or the tax consequences of ownership of the Series 2012A Bonds.

New York State Taxes

In the opinion of Bond Counsel, so long as interest on the Series 2012A Bonds is excluded from gross income for federal income tax purposes, interest on the Series 2012A Bonds is exempt, under existing statutes, from New York State and New York City personal income taxes.

Tax Risks - Loss of Federal Tax Exemption

As described above, interest on the Series 2012A Bonds may become subject to federal income taxation if certain events occur subsequent to the date of issuance of the Series 2012A Bonds that violate the requirements and limitations prescribed by the Code. Although the College has agreed not to violate the requirements and limitations of the Code, there can be no assurance that these events will not occur. If certain requirements are violated, the interest on the Series 2012A Bonds may be deemed to be taxable from the date of issuance. The Series 2012A Bonds are not subject to mandatory redemption or to mandatory acceleration in the event of such an occurrence. No premium or additional interest will be paid to the Bondholders or former Bondholders to compensate the Bondholders for any losses they may incur as a result of the interest on the Series 2012A Bonds becoming subject to federal income taxation.

Form of Opinion of Bond Counsel

The form of the approving opinion of Bond Counsel is attached hereto as APPENDIX D – “Form of Approving Opinion of Bond Counsel.”

ALL PROSPECTIVE PURCHASERS OF THE SERIES 2012A BONDS SHOULD CONSULT WITH THEIR TAX ADVISORS IN ORDER TO UNDERSTAND THE IMPLICATIONS OF THE CODE AS TO THE TAX CONSEQUENCES OF PURCHASING OR HOLDING THE SERIES 2012A BONDS.

INDEPENDENT AUDITORS

The financial statements for the College as of and for the years ended June 30, 2011, and 2010 set forth in Appendix B of this Official Statement, have been audited by KPMG LLP, independent auditors, as set forth in their report thereon appearing in Appendix B of this Official Statement.

FINANCIAL ADVISOR

Public Financial Management, Inc. (“PFM”) has served as financial advisor to the College for the issuance of the Bonds. PFM is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for, the accuracy, completeness, or fairness of the information contained in this Official Statement. PFM is an independent financial advisory firm and is not engaged in the business of underwriting, trading, or distributing securities.

RATING

Moody's Investors Service, Inc. ("Moody's") has assigned a rating of "A1" to the Series 2012A Bonds. Such ratings reflect only the views of such organization and any desired explanation of the significance of such ratings should be obtained from Moody's at 99 Church Street, New York, New York 10007. There is no assurance that such ratings will prevail for any given period of time or that they will not be revised downward or withdrawn entirely by any or all of such rating agencies if, in the judgment of any or all of them, circumstances so warrant. Any such downward revision or withdrawal of such rating or ratings may have an adverse effect on the market price of the Series 2012A Bonds.

LITIGATION

The Issuer

There is not now pending nor, to the knowledge of the Issuer, threatened any litigation questioning or affecting the validity of the Series 2012A Bonds or the proceedings or authority under which the Series 2012A Bonds were issued. Neither the creation, organization or existence of the Issuer nor the title of any of the present members or other officers of the Issuer to their respective offices is being contested. There is no litigation pending or, to its knowledge, threatened which in any manner questions the right of the Issuer to execute and deliver the Indenture or the Loan Agreement.

The College

There is not now pending nor, to the knowledge of the College, threatened any litigation restraining or enjoining the execution or delivery of the Financing Documents to which the College is a party or questioning or affecting the validity of such documents or the proceedings or authority under which such documents were authorized or delivered. Neither the creation, organization or existence of the College nor the title of any of the present members or other officers of the College to their respective offices is being contested. There is no litigation pending or, to its knowledge, threatened which in any manner questions the right of the College to enter into the Financing Documents to which the College is a party or which would have a material adverse effect on the ability of the College to meet its obligations under the Loan Agreement.

LEGAL MATTERS

All legal matters incident to the authorization and validity of the Series 2012A Bonds are subject to the approval of Hodgson Russ LLP, Bond Counsel, whose approving opinion will be delivered with the Series 2012A Bonds. Certain legal matters will be passed upon for the Issuer by Hodgson Russ LLP. Certain legal matters will be passed upon for the College by Hiscock & Barclay, LLP. Certain legal matters will be passed upon for the Underwriter by Bond, Schoeneck & King, PLLC.

UNDERWRITING

RBC Capital Markets, LLC (the "Underwriter") has agreed, subject to certain conditions, to purchase the Series 2012A Bonds from the Issuer. The Underwriter's obligations are subject to certain conditions precedent, and, if these conditions are met, the Underwriter will be obligated to purchase all the Series 2012A Bonds if any of the Series 2012A Bonds are delivered at a purchase price of \$_____ which represents the par amount of the Series 2012A Bonds, plus an original issue premium of \$_____ and less the Underwriter's Discount of \$_____. The Series 2012A Bonds may be offered and sold to certain dealers (including dealers depositing such Bonds into unit investment trusts) at prices lower than the public offering prices as set forth on the inside cover page hereof. The initial public offering prices may be changed from time to time by the Underwriter.

MISCELLANEOUS

So far as any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of such opinions or estimates will be realized. Neither this Official Statement nor any statement which may have been made orally or in writing with regard to the Series 2012A Bonds is to be construed as a contract with the holders of the Series 2012A Bonds.

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**SCHENECTADY COUNTY
CAPITAL RESOURCE CORPORATION**

By: _____
Jayme Lahut
Chief Executive Officer

**THE TRUSTEES OF UNION COLLEGE
IN THE TOWN OF SCHENECTADY IN THE
STATE OF NEW YORK**

By: _____
Diane Blake
Vice President for Finance and Administration

APPENDIX A

CERTAIN INFORMATION CONCERNING THE COLLEGE

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GENERAL INFORMATION

Introduction

The Trustees of Union College in the City of Schenectady in the State of New York (the “College”) is an independent, coeducational, undergraduate liberal arts college committed to individual development through learning. The College traces its beginnings to 1779, and in 1795 the College became the first college chartered by the Regents of the State of New York. The College is one of 25 institutions of higher education in the country founded before 1800 and is one of the country’s oldest nondenominational colleges.

The College is accredited by the Middle States Commission on Higher Education. The Middle States Commission on Higher Education is an institutional accrediting agency recognized by the U.S. Secretary of Education and the Council for Higher Education Accreditation. The programs in chemistry are certified by the American Chemical Society. The computer, electrical, and mechanical engineering programs are accredited by the Engineering Accreditation Commission of the Accreditation Board for Engineering and Technology (EAC/ABET), a specialized accrediting agency recognized by the Council for Higher Education Accreditation.

The College offers studies in the humanities, the social sciences, the sciences, the arts and engineering. The curriculum, which has a wide range and balance across areas of study, offers breadth and depth as students explore particular disciplines and interdisciplinary subjects. The College’s curriculum and student life are designed to educate students to live and work in a global, diverse, and technologically-complex society.

The College has a tradition of curricular innovation dating back to its founding in 1795. In the 19th century, the College pioneered the introduction of science, modern languages and engineering into the undergraduate curriculum. More recently, the College has made important advances in general education, interdisciplinary study, international programs, and undergraduate research. Our tradition of curricular innovation continues as the College pioneers ways to conceive of engineering as an integral component of the liberal arts and as we introduce students to computational methods, community-based learning, entrepreneurship, and ethical understanding in courses across the curriculum. The College prides itself on bringing together faculty from diverse academic backgrounds in order for students to gain mastery of a wide range of disciplines as well as understanding how different disciplines approach particular questions. Students thus prepared are ready to communicate, work, and think within and beyond their area of specialty. Many students study abroad as part of their education at the College, often in programs led by College faculty as well in programs of their own design.

A major may be centered in one of the College’s academic departments or a student may choose an interdepartmental major involving work in two or more departments, a formal interdisciplinary program, or a personally-designed “organizing theme major” that defines a central, unifying topic cutting across disciplinary lines. Students may also elect to take up to two minors.

The College is committed to ensuring that all students become good writers. The College’s program of Writing Across the Curriculum constitutes a systematic way of ensuring that students pay close attention to writing in courses scattered throughout the curriculum. The First-Year Preceptorial is the foundation of the College’s writing requirements, while the Sophomore Research Seminar provides a foundation of research skills for upper-class work.

In cooperation with Union Graduate College, the College also offers five-year, two-degree programs leading to a bachelor’s degree and a master’s degree in selected fields. The College has an eight-year, three-

degree program in cooperation with Albany Medical College and Union Graduate College and a six-year, two-degree program in cooperation with Albany Law School.

The governing body of the College is the Board of Trustees. The Board of Trustees holds title to the property, is responsible for the administration of the College and its funds, and determines the policies under which programs are offered. The chief executive officer is the president, who also serves as chancellor of Union University, comprising Union College, Albany Medical College (1839), Albany Law School (1851), Dudley Observatory (1852), Albany College of Pharmacy (1881), and Union Graduate College (2003). Each institution has its own governing board and is responsible for its own programs. The Board of Governors of the University serves both to advise and to expand the areas of voluntary cooperation.

During 2010, Union Graduate College moved off campus to its own building and effective July 1, 2010, the College released its temporary control of the board of trustees of Union Graduate College. This completed a multi-year transition during which Union Graduate College assumed responsibility for providing its own administrative services and employee benefits. The two institutions continue to provide shared teaching arrangements and course cross-registration.

The College campus comprises approximately one hundred thirty (130) acres, including eight acres of formal gardens and woodland. The College is the first college in America that was developed from a formal campus plan (Jacques Ramée 1813).

The College has experienced steady growth in its physical plant. Major academic buildings include Schaffer Library; the F.W. Olin Center, a high-technology classroom and laboratory building; the Science and Engineering Center, a complex of connected buildings; the Peter Irving Wold Center; an interdisciplinary LEED Gold science building which includes undergraduate and faculty research spaces, as well as the Kelly advanced computing lab; Butterfield Hall, which includes the newly renovated third floor Center for Neuroscience; the Humanities Building; Lippman Hall, the Social Sciences Building; the Visual Arts Building; the Taylor Music Center, which includes the Emerson Auditorium and academic spaces for music; the Morton and Helen Yulman Theater, which is used for performances, rehearsals, and classes; and the Nott Memorial, a 16-sided national historic landmark that is the physical and cultural center of campus.

At present, approximately 90% of the College's students live in College-owned and operated residence halls or fraternity and sorority houses.

Governance

The College is governed by a 45-member Board of Trustees. The Governor of the State of New York, the President of the College and the Chairman of the President's Council serve as ex-officio Trustees. The several categories of Trustees include Life Trustees, Term Trustees, Alumni Trustees, Faculty Trustees and Student Trustees. Term Trustees and Alumni Trustees are elected for four-year terms. Alumni Trustees must have attended the College and be carried on the College rolls as an alumnus or alumna and those who vote for Alumni Trustees must meet the same qualifications. Trustees Emeriti may participate in meetings, but do not vote. The Board of Trustees regularly meets in October, February, and May, and at other times as necessary. In addition, the Executive Committee, which is authorized to act for the Board of Trustees, meets three times a year.

The current members of the Board of Trustees are:

Executive Committee:

Mark Walsh – (Chairman of the Board of Trustees) GeniusRocket, Inc. Bethesda, MD
David J. Breazzano - DDJ Capital Management, LLC, Wellesley, MA
Stephen J. Ciesinski - SJC Partners, LLC, Palo Alto, CA
David L. Henle III - DLH Capital, LLC, New York, NY
Adrian M. Jay – Dogwood Entertainment, Knoxville, TN
John E. Kelly – (Vice Chairman of the Board of Trustees) IBM Corporation, Somers, NY
Frank L. Messa –Saratoga Springs, NY
Stanley O'Brien – Mellon, Boston, MA
Lawrence Pedowitz – Watchtell, Lipton, Rosen & Katz, New York, NY
Stephen W. Ritterbush - Fairfax Partners, McLean, VA
Kelly M. Williams – Credit Suisse, New York, NY

Life Trustees:

David B. Chapnick – (General Counsel of the Board of Trustees)
Simpson, Thacher & Bartlett, New York, NY
Stephen J. Ciesinski - SJC Partners, LLC, Palo Alto, CA
Robert DeMichele –Strategy Asset Managers, LLC, New York, NY
Neil M. Golub – Price Chopper Supermarkets/Golub Corp., Schenectady, NY
Frank L. Messa –Saratoga Springs, NY
Norton H. Reamer – (Secretary of the Board of Trustees)
Asset Management Finance Corp., Boston, MA

Term Trustees:

Robert Bertagna - Macquarie Capital, New York, NY
David Breazzano – DDJ Capital Management, LLC, Wellesley, MA
Estelle Cooke-Sampson –American Radiology Associates, Owings Mills, MD
William J. Curtin – Curtin Financial Management, Inc., Wellesley, MA
Judith G. Dein – U.S. Magistrate Judge, Boston, MA
David Henle – DLH Capital, LLC, New York, NY
Roy Jackson – Coca Cola Refreshments, Dallas, TX
Adrian M. Jay – Dogwood Entertainment, Knoxville, TN
Douglass Karp - New England Development, Newton, MA
John E. Kelly III – IBM Corporation, Somers, NY
Paul LeClerc – Columbia University, New York, NY
Jim M. Lippman – JRK Property Holdings, Inc. Los Angeles, CA
Kathy E. Magliato – St. John's Health Center, Santa Monica, CA
Stanley O'Brien – Mellon, Boston, MA
Lawrence Pedowitz – Watchtell, Lipton, Rosen & Katz, New York, NY
Stephen Ritterbush – Fairfax Partners, McLean, VA
Ellen Smith – National Grid, Waltham, MA
James Taylor – Taylor Made Group, Inc, Gloversville, NY
David A. Viniar – Goldman, Sachs & Co., New York, NY
Mark Walsh – (Chairman of the Board of Trustees) GeniusRocket, Inc. Bethesda, MD
William Wicker – Morgan Stanley, New York, NY
Kelly M. Williams – Credit Suisse, New York, NY

Alumni Trustees:

Robert Danziger – Capital Markets, New York, NY
Michael Newell – Ener-G-Rotors, Inc. Rotterdam, NY
Jason Oshins – Law Offices of Jason Oshins, Queens Village, NY
John Sciortin - Segar & Sciortino, Rochester, NY

Faculty Trustees:

Leo Fleishamn – Professor of Biology, Union College, Schenectady, NY
Hans-Friedrich Mueller - Professor of Classics, Union College, Schenectady, NY

Student Trustees:

Scudder Clay
Randy Miller

Trustee Emeriti:

Gerald Barandes – Beckman Lieberman & Barandes, New Canaan, CT
Phillip R. Beuth – Naples, FL
William G. Burns – Highlands, NC
Arnold I. Burns – The Quanstar Group, LLC, New York, NY
Robert DeMichele – Strategy Asset Managers, LLC, Woodcliff Lake, NJ
Robert Enemark – Duxbury, MA
Joseph M. Hinchey – Mystic, CT
Norton Reamer – Asset Management Finance Corp, Boston, MA
John S. Wold - Wold Companies, Casper, WY

Administration

The principal officers/senior staff of the College are as follows:

Dr. Stephen C. Ainlay, President (60)

Dr. Ainlay was appointed President of the College on July 1, 2006 and was appointed to his second term as President on July 1, 2011. Dr. Ainlay earned his B.A. degree from Goshen College. He received both his M.A. and Ph.D. degrees from Rutgers University. Before coming to the College, Dr. Ainlay was a member of the faculty at the College of the Holy Cross where he was promoted to the rank of full professor before joining the academic administration. He served as the Director of their Center for Interdisciplinary and Special Studies at Holy Cross for three years and as their Vice President for Academic Affairs and Dean of the College for ten years.

Diane Blake, Vice President for Finance and Administration (57)

Ms. Blake, who has been at the College since 1987, was promoted to the position of Vice President of Finance in 1993 after serving as Chief Financial Officer. She received her B.B.A. from Siena College. Previously, she served as Budget Director for Rensselaer Polytechnic Institute.

Steve Dare, Vice President for College Relations (56)

Mr. Dare was appointed to the College on September 1, 2008. Mr. Dare has worked for more than 30 years in public relations and fundraising for institutions such as MIT, Boston College, Johns Hopkins University, Philadelphia University and the State of New Jersey. His expertise is in campaign management, senior officer/board support, organizational development, and marketing, having worked on six campaigns to date, including a \$2 billion effort at MIT. Mr. Dare holds a B.A. in Communications from Rowan University as well as an M.A. from Rowan in Educational Public Relations.

Gretchel Hathaway, Senior Director of Diversity and Affirmative Action (54)

Dr. Hathaway reports directly to the President of the College. She is responsible for leading the college's strategic plan diversity initiatives with the board of trustees, faculty and administrators. In addition, she supervises the newly established Office of Multicultural Affairs that focuses on designing programming and workshops for students. Dr. Hathaway's responsibility under Affirmative Action includes the implementation of college policy; develop procedures for grievance and mediation settlements and serves on the review board of all tenure and promotion cases of faculty. She received her Bachelor's in psychology from Manhattanville College, her Masters degree in psychology from Yeshiva University and her Doctorate in Social Work from the University of Pittsburgh.

Stephen Leavitt, Vice President for Student Affairs and Dean of Students (52)

Mr. Leavitt has been at the College since 1993, serving as a professor of anthropology before joining the administration in 2003. While at the College, he has also served as Co-director of the Union Scholars Program. Mr. Leavitt earned his B.A. from Swarthmore College and M.A. and Ph.D. degrees from the University of California, San Diego.

Matt Malatesta, Vice President for Admissions, Financial Aid, and Enrollment (43)

Mr. Malatesta has been at the College since 2008. Prior to coming to the College, Mr. Malatesta was Director of Financial Aid at Hamilton College and previously worked in the Admissions Department at Hamilton College. Prior to this, he taught and worked in preparatory schools for more than nine years. Mr. Malatesta leads the Enrollment Committee on campus at the College. Mr. Malatesta earned his B.A. and M.A.T. at Union College.

Dr. Therese A. McCarty, Vice President for Academic Affairs and Dean of Faculty (54)

Dr. McCarty became the Stephen J. and Diane K. Ciesinski Dean of the Faculty and Vice President for Academic Affairs at the College in 2007, having previously served as Interim Dean of the Faculty from 2005-2007. Dr. McCarty began her career at the College in 1987 as an Assistant Professor of Economics and remains a Professor of Economics in that department today. During her time at the College, she served as a visiting scholar at the Center for State and Local Taxation at the University of California at Davis. She holds a Ph.D. and an A.M. in economics from the University of Michigan as well as an A.B. in economics from Bryn Mawr College.

Edward Summers, Chief of Staff (29)

Mr. Summers was appointed by President Ainlay in October 2011 as Chief of Staff. He received a B.A. and Masters of Public Administration (MPA) from Marist College. Additionally, Mr. Summers has completed work on his doctoral dissertation and will defend it in March from The New School University. Prior to coming to the College, Mr. Summers served as the Assistant to the President of Marist College for

seven years and as an adjunct Professor of Public Administration and Policy and Policy Science. He was also the Program Director for Marist College's programs in Africa, and for the Presidential Referral Scholars Program.

Properties and Facilities

Established in 1795, the campus of the College sits on approximately 130 acres in the heart of the city of Schenectady, New York. The College has the distinction of being the first planned campus in America, as well as the first to offer its undergraduates the unique combination of both liberal arts and engineering as areas of study.

The campus includes over 1.9 million gross square feet of space within its 108 buildings. Residential buildings are located essentially on the perimeter of the campus, with the academic core, and the historic Ramée area at its central points. The Ramée area, with its open lawns, mature tree-lined walks and historic buildings are the focal point of the College. Located in the center of the Ramée area is the Nott Memorial, the College's signature building and National Historic Landmark. Completely renovated in 1995, the building is now used as an assembly space and student study space, as well as the home of the Mandeville Gallery. The dome has 750 illuminators that contain colored glass lenses visible from the floor below. Jackson's Garden, an 8-acre area of formal gardens and woodland, also lies within the College campus footprint.

There are 855,585 gross square feet of residence hall space on campus, providing housing for 1,950 of the College's 2,200 undergraduate students. The College provides a wide range of housing opportunities for its students including Theme, Greek, Minerva, apartment style, and independent residence halls within 48 buildings. In 2000, the College began purchasing houses in the College Park Neighborhood and renovating them for student apartments. To date there are 37 properties owned by the College within the neighborhood for student apartments, faculty/staff apartments, and the Kenny Community Center. The Kenny Community Center houses community outreach, Big Brothers/Big Sisters, and other programs under which College students tutor neighborhood children.

In 2003, the College purchased the Ramada Inn and the vacant brownfield land surrounding it. The former hotel was completely renovated into what is now called College Park Hall, a student residence and conference center. The project is qualified for LEED certification, and has won the New York State Builders Award in the renovation category. The surrounding brownfield land was converted into a synthetic turf soccer complex. This was the first privately-funded brownfield conversion in New York State.

In 2004, the College unveiled an innovative residence life social/living/learning program called the Minerva House System. As part of that system five residence halls were completely renovated into seven Minerva houses. Within each house, the first floor design includes generous amounts of social space, a full kitchen, an office, a reading room, and a seminar room. Freshman preceptorial classes are taught in the electronic seminar space each week of the term. Every student of the College belongs to a house, and has the option of living there at one point during their academic career at the College. The houses are self governed, requiring budget management as well as sponsoring social and academic events with the assistance of a faculty advisor. All residence halls have state-of-the-art communication and data capabilities.

There are 21 academic buildings on campus totaling 617,128 square feet of academic space. In 1997, the Schaffer Library was completely renovated, and a 50,000 square foot addition was constructed. The building is state-of-the-art, including computer areas, the Language Center, Media Services, the Writing Center, Special Collections/Archives, as well as an extensive collection of books and periodicals. In 1998, the construction of the F.W. Olin Center was completed, consisting of a 50,000 square foot building housing the Geology Department, a large lecture hall, computer classrooms, chemistry labs, and an observatory for the physics department. The building design combines contemporary aesthetics with the traditional architecture

that is prevalent throughout the College's campus. The project was funded by one of the largest grants ever given by the F.W. Olin Foundation. In 2006, the College completed a substantial renovation to Butterfield Hall, converting the first and second floors into laboratory space for mechanical engineering, including a 10,000 square foot clean room, a mechanical testing lab, a composite manufacturing lab, a materials class room and a bioengineering center. In 2011, the 3rd floor of Butterfield Hall was renovated with funding from the National Science Foundation for the Center for Neuroscience. In 2006, the Taylor Music Center was completed, a 13,500 square foot project consisting of the renovation of the North Colonnade building originally built in 1814. Converted for the College's Music Department, it includes a 120 seat recital hall addition, practice rooms, computer classrooms, faculty offices, an electronic seminar room, and a world music room. The sound attenuation technology within the building is recording studio quality. In 2011, the Peter Irving Wold Center, a 35,000 ground square foot new science building that is attached to both the Olin Center and the Science and Engineering Center, was completed. With a project cost of \$19 million, the Wold Center features state-of-the-art research laboratories, electronic classrooms, and advanced computing labs, study spaces and faculty offices. It is an interdisciplinary building and its public spaces are designed to facilitate the free flow of people and ideas and collaboration among the different disciplines of the College.

In 2000, an athletic master plan was completed to address the needs of the existing 218,945 square feet of athletic space. To date, 90% of the needs identified in the plan have been completed, including a 1,500 seat stadium on Frank Bailey Field completed in 2001. Other projects were the renovation of Messa Rink at the Achilles Center for \$1.5 million in 2004 and the construction of the Viniar Athletic Center, a 1,000 seat, 25,000 square foot building for basketball at a cost of \$3.2 million. The most recent project under the athletic master plan was completed in the spring of 2006 and involved the renovation/conversion of the old basketball gymnasium in Alumni Gym, into a state-of-the-art athletic fitness center. This project provided a much-needed recreational space for the College community, and includes an 8,000 square foot cardio/nautilus area on the main level complete with high level equipment; plasma wall mounted televisions and a new open stair leading to the lower level free weight training area. The project also included the creation of an additional aerobics room, offices, and an HVAC upgrade for the entire area at a cost of \$1.8 million.

The 289,665 ground square feet of administrative and support space have had renovations as well, including the conversion of a former fraternity house into the Grant Hall Admissions Center for \$2.3 Million in 2001. The conversion of the former Parker Rice Estate and carriage house into the Abbe Hall Alumni Center in 2002 fulfilled a long-standing need for an alumni-gathering space. This historic renovation houses all of the College Relations Department. In 2006, the College renovated the McKean House, a former fraternity house, into office space for a portion of the College Finance Department.

Since 1994, the College has completed 288,250 square feet of large-scale renovation projects totaling \$72,800,000, and 421,680 square feet of newly constructed space.

OPERATING INFORMATION

Admissions

The College became coeducational in 1970 and approximately 47% of the current undergraduates are women. About 5,151 applicants sought freshmen class openings for the Class of 2015, which matriculated in the fall of 2011. Approximately 85% of each year's freshmen come from the top 25% of their secondary school class.

The following tables show selected freshmen admissions data for the past five years.

Freshman Admission

	2007-08	2008-09	2009-10	2010-11	2011-12
Total Applications	4,837	5,271	4,829	4,946	5,151
Acceptances	2,093	2,067	1,987	2,094	2,197
Acceptance Rate	43%	39%	41%	42%	43%
Number Enrolled	560	580	520	554	572
Yield	27%	28%	26%	26%	26%

Geographic Distribution of Incoming Freshmen

	2007-08	2008-09	2009-10	2010-11	2011-12
New York State	36%	41%	41%	39%	34%
Massachusetts	24%	21%	20%	20%	21%
Connecticut	10%	9%	9%	12%	13%
New Jersey	10%	6%	8%	8%	7%
Maine	3%	-	-	-	-
New Hampshire	-	2%	-	2%	2%
California	-	-	3%	-	-
United States - Other	13%	17%	14%	14%	17%
International	3%	4%	4%	5%	5%
Total	100%	100%	100%	100%	100%

The table below presents the mean SAT scores for entering freshmen for the past five academic years. Beginning with Fall 2007 submission of the SAT and ACT examinations is optional for admission to the College.

Freshmen, Mean SAT Scores

	2007-08	2008-09	2009-10	2010-11	2011-12
Average SAT Verbal	620	620	630	630	640
Average SAT Math	640	650	660	660	660
Average SAT	1260	1270	1290	1290	1300
Percent submitting scores	72%	61%	53%	46%	50%

The College competes for admission with a number of top ranked national liberal arts colleges and universities. The schools with which the College has an applicant overlap vary from year to year. However, the core group of consistent competitors includes, in rank order: Rensselaer Polytechnic Institute, Cornell University, University of Rochester, University of Vermont, Hamilton College, Lehigh University, and Lafayette College.

Enrollment

Over the past ten years, the full-time undergraduate student enrollment has been maintained at a relatively consistent level of approximately 2,140, which is in accordance with College plans. In addition to full-time undergraduate students, the College has a relatively small number of part-time undergraduate students.

The following table presents a summary of enrollment at the College for the past 5 years.

	Enrollment Summary				
	2007-08	2008-09	2009-10	2010-11	2011-12
Full-time Undergraduate	2,149	2,212	2,157	2,170	2,194
Part-time Undergraduate	28	28	37	27	26
Total Headcount	2,177	2,240	2,194	2,197	2,220
Total Full-Time Equivalent	2,159	2,223	2,172	2,180	2,203

The following table presents undergraduate retention rates for the past 5 years.

	Undergraduate Retention Rates				
Cohort	2006-07	2007-08	2008-09	2009-10	2010-11
Freshman to Sophomore	90.5%	93.2%	90.9%	93.3%	93.9%
Freshman to Junior	84.8	90.4	86.2	90.6	
Freshman to Senior	84.1	89.3	85.2		

The following tables present a summary of the most popular majors at the College and degrees conferred for the past five years.

	Most Popular Majors (by degrees awarded, in rank order)				
	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011
First	Political Science	Political Science	Political Science	Political Science	Political Science
Second	Psychology	Psychology	Economics	Psychology	Psychology
Third	History	History	English	Economics	Economics
Fourth	Mechanical Engineering	Mechanical Engineering	Psychology	History	History
Fifth	Economics	Economics	Mechanical Engineering	Mechanical Engineering	Mechanical Engineering

Bachelor's Degrees Conferred

	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011
Total	520	473	530	491	529

Tuition and Other Student Charges

Tuition and basic fees for the College for the past five fiscal years are shown below:

Tuition/Fees/Room and Board

Year	Tuition	Room	Board	Subtotal	% Increase	Activity Fee	House System Fee	Total	% Increase
2011-12	\$43,131	\$5,850	\$4,821	\$53,802	3.75%	351	120	\$54,273	3.71%
2010-11	41,571	5,640	4,647	51,858	3.75%	351	120	52,329	3.75%
2009-10	40,068	5,436	4,479	49,983	3.90%	336	120	50,439	3.89%
2008-09	38,565	5,232	4,311	48,108	5.00%	324	120	48,552	4.99%
2007-08	36,729	4,983	4,104	45,816	5.00%	309	120	46,245	5.00%

Financial Aid

The College administers a substantial student financial aid program by which approximately 74% of the undergraduate students receive aid. Nearly 70% of the students receive College scholarships (both need based and merit), with another 4% receive aid from other sources. Included in the aid program are scholarships, on-campus jobs and loans. Scholarships are awarded to students in amounts from \$1,000 to \$50,000 per year on the basis of financial need and the average merit award is \$10,000 per year.

Federal financial aid programs available to students include Pell Grants, Supplementary Educational Grant Program (SEOG), Perkins Loan Program, College Work Study Program, Federal Direct Stafford Loan, Federal Direct Parent Loan for Undergraduate Students (PLUS), NSF STEM Grant, and Veterans Administration Educational Benefits. The Federal Direct Student Loan program began in academic year 2009-10.

State financial aid programs available to students include the Tuition Assistance Program (TAP), Regents Award for Children of Deceased or Disabled Veterans, State Aid to Native Americans, Higher Education Opportunity Program (HEOP), New York State Scholarship for Academic Excellence, New York State Memorial Scholarship, New York State World Trade Center Scholarship, New York State Lottery Scholarship, Robert C. Byrd Honors Scholarship, Veterans Tuition Awards, and Segal AmeriCorps Educational Award.

The following table provides a breakdown of the sources from which undergraduate scholarship and grant aid has been provided to students of the College over the last five academic years. Federal and state pass through funds received are excluded for financial statement purposes.

Source of Undergraduate Scholarship and Grant Aid

Academic Year	College Grants	State Grants	Federal Grants	Other Grants	Total
2006-07	\$26,397,456	\$246,934	\$1,528,446	\$ 6,285	\$28,179,121
2007-08	27,910,457	267,281	1,602,428	0	29,780,166
2008-09	30,422,937	152,300	1,820,496	125,104	32,520,837
2009-10	32,043,343	154,476	12,546,574	670,932	45,415,325
2010-11	35,909,846	167,616	13,124,046	380,661	49,582,168

Faculty

Total current faculty members employed by the College number 242, of whom approximately 203 serve full-time and fifty-two percent (52%) hold tenure. The majority of the College'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 Program

Academic Year	Full-Time Faculty	Part-Time Faculty	Total Faculty	Full-Time Equivalent Faculty	Percent of Total Faculty Tenured
2006-2007	198	40	238	211.3	50.0%
2007-2008	207	40	247	220.3	49.4%
2008-2009	207	30	237	217.0	53.6%
2009-2010	213	30	243	223.0	53.9%
2010-2011	203	39	242	216.0	52.5%

Employee Relations

The College presently does not have any collective bargaining contracts covering any of its employees. The College has a history of satisfactory labor relations with its employees.

Benefit Plans

Retirement Plan

The College has a defined contribution retirement plan under arrangements with Teachers' Insurance and Annuity Association and College Retirement Equities Fund (TIAA-CREF) and Fidelity, which provide for purchases of annuities and investments for all of its faculty members and nonacademic employees.

The College's policy is to fund pension costs, which were \$4,699,596 and \$4,596,198 for the years ended June 30, 2011 and 2010, respectively.

Postretirement Healthcare Plan

The College has also elected to pay for a portion of healthcare benefits for retired employees based upon years of service at retirement date. The College recognizes the cost of healthcare benefits on an accrual basis over the working lifetime of employees.

	<u>2011</u>	<u>2010</u>
Change in benefit obligations:		
Benefit obligation at beginning of year	\$ 10,595,486	9,871,330
Service cost	313,612	281,889
Interest cost	454,302	530,284
Plan amendments	0	(269,969)
Actuarial (loss) gain	(1,427,917)	581,100
Benefits paid	<u>(331,882)</u>	<u>(399,148)</u>
Benefit obligation at end of year	\$ <u>9,603,601</u>	<u>10,595,486</u>

FINANCIAL STATEMENT INFORMATION

Financial Matters

The financial statements of the College are prepared in conformity with U.S. generally accepted accounting principles, in accordance with the provisions of the American Institute of Certified Public Accountants Audit and Accounting Guide for Not-For-Profit Organizations.

The Board of Trustees approves the annual budget of revenues and expenditures for the College and specifically reviews and approves tuition and fee increases, student financial aid budget and increases in salaries, wages and employee benefits. The Finance and Administration Committee of the Board of Trustees has responsibility for review and recommendation for approval as well as for continuing surveillance of actual performance in relation to the approved budget. Monthly reports comparing actual performance to budget are prepared and issued from the Finance Office to the responsible department heads and senior administrators. Summary reports are prepared and presented to the Board of Trustees.

FINANCIAL INFORMATION

Independent Auditors

The financial statements for the College as of and for the years ended June 30, 2011 and 2010 set forth in Appendix B of this Official Statement have been audited by KPMG LLP, independent auditors, as stated in their report.

Statement of Financial Position

The following table summarizes the College's financial position as of the end of the College's five most recent fiscal years.

	June 30, 2011	June 30, 2010	June 30, 2009	June 30, 2008	June 30, 2007
Assets					
Cash and equivalents	21,908,028	19,006,589	13,038,484	6,730,843	658,374
Accrued investment income	91,993	126,193	352,262	371,157	572,478
Due from Union Graduate College	0	0	184,880	0	0
Inventories	977,598	1,028,097	937,973	966,080	916,374
Short-term investments	0	0	0	4,600,000	12,000,000
Prepaid expenses	1,520,947	588,467	787,109	1,159,184	1,403,892
Pledges receivable, net	12,942,321	12,303,132	11,642,839	6,982,790	9,334,731
Notes and accounts receivable, net	9,741,365	11,645,276	10,743,982	10,648,406	11,592,161
Deposits with bond trustees	2,849,399	3,205,797	4,048,067	5,909,465	4,536,166
Investments	340,224,086	300,535,888	299,519,871	439,266,299	389,099,590
Due from broker	240,628	9,000,000	3,300,000	0	0
Irrevocable trusts	6,659,154	6,107,229	5,646,348	6,882,334	8,598,204
Land, buildings, and equipment, net	143,817,491	136,579,847	127,618,688	129,031,575	132,615,952
Other assets	1,938,881	2,004,412	1,771,455	988,241	478,860
Total Assets	542,911,891	502,130,927	479,591,958	613,536,374	571,806,782
Liabilities and Net Assets					
Liabilities:					
Accounts payable and accruals	10,153,554	10,986,658	9,582,467	9,530,322	9,110,780
Construction costs payable	828,172	1,382,603	690,810	73,709	554,675
Student and other deposits	565,205	627,805	648,226	672,684	691,724
Deferred income	730,947	910,152	1,227,687	2,104,985	2,033,777
Due to Union Graduate College	0	0	0	550,136	55,375
Long term debt	69,602,828	65,643,704	65,266,208	67,913,487	70,690,764
Due to Broker	0	0	0	27,812,470	0
Pooled life income and charitable gift annuities payable	5,354,118	5,747,774	6,363,275	6,205,717	5,889,546
Asset retirement obligations	1,664,150	1,729,500	1,729,500	1,729,500	1,212,500
Federal student loan funds	2,511,822	2,547,396	2,606,169	2,568,387	2,592,722
Accrued post retirement benefits	9,603,601	10,595,486	9,871,330	8,520,320	8,294,950
Total Liabilities	101,014,397	100,171,078	97,985,672	127,681,717	101,126,813
Net Assets:					
Unrestricted	186,680,900	248,710,433	233,510,820	346,022,569	334,326,217
Temporarily Restricted	115,499,462	16,942,585	14,149,753	9,242,838	11,462,536
Permanently Restricted	139,717,132	136,306,831	133,945,713	130,589,250	124,891,216
Total Net Assets	441,897,494	401,959,849	381,606,286	485,854,657	470,679,969
Total Liabilities and Net Assets	542,911,891	502,130,927	479,591,958	613,536,374	571,806,782

For a complete presentation of the College's Statement of Financial Position as of June 30, 2011 and June 30, 2010, see the audited financial statements and accompanying notes included as Appendix B to this Official Statement.

Statement of Activities

The following table summarizes the College's Statement of Activities for the five most recent fiscal years.

	June 30, 2011	June 30, 2010	June 30, 2009	June 30, 2008	June 30, 2007
UNRESTRICTED ACTIVITY ONLY					
Operating and other net assets:					
Revenue and reclassifications:					
Tuition and fees	\$ 89,700,239	85,217,375	84,287,845	77,386,745	74,423,731
Room and board	19,276,886	18,470,192	18,961,333	17,577,568	16,819,184
Less student aid	(36,571,063)	(33,019,953)	(30,956,814)	(28,198,815)	(26,990,725)
Net tuition, fees, room, and board	72,406,062	70,667,614	72,292,364	66,765,498	64,252,190
Investment return:					
Investment income	2,461,391	2,997,748	4,655,095	4,073,281	4,364,075
Endowment gains used to meet spending policy	17,242,370	17,995,240	15,912,971	14,913,723	13,116,519
Government grants	3,229,417	2,705,441	1,517,715	2,430,555	2,811,599
Private gifts and grants	6,078,476	5,009,105	4,049,599	7,948,572	8,465,411
Intercollegiate athletics and other sources	4,111,941	4,163,064	3,135,020	2,358,468	2,162,985
Auxiliary enterprises	5,057,162	5,035,095	5,495,985	5,690,232	5,508,014
Net assets released from restrictions	1,995,674	2,651,624	3,549,820	1,209,816	841,192
Total revenue and reclassifications	112,582,493	111,224,931	110,608,569	105,390,145	101,521,985
Expenses:					
Instructional and departmental research	39,982,204	38,660,630	38,330,083	35,697,808	34,234,971
Sponsored research programs	1,035,027	1,633,199	830,664	1,176,499	715,439
Academic support	9,680,285	9,526,309	8,502,196	8,487,795	7,851,213
Student services	7,811,547	7,623,412	7,263,431	6,928,045	6,548,213
Institutional support	19,834,724	19,893,901	19,256,914	17,574,140	17,633,919
Intercollegiate athletics	9,023,035	9,053,138	8,861,365	8,550,260	8,068,193
Auxiliaries operations	21,950,436	21,413,971	22,843,753	22,758,543	21,849,253
Other	1,107,667	444,198	1,187,836	564,912	676,038
Total expenses	110,424,925	108,248,758	107,076,242	101,738,002	97,577,239
Increase in operating and other net assets	2,157,568	2,976,173	3,532,327	3,652,143	3,944,746
Endowment and other net assets:					
Investment return	22,572,127	31,269,756	(98,613,216)	7,957,785	55,537,402
Endowment gains used to meet spending policy	(17,242,370)	(17,995,240)	(15,912,971)	(14,913,723)	(13,116,519)
Private gifts and grants	217,151	449,156	223,418	13,381,607	10,430
Loss on extinguishment of debt	0	0	0	0	(2,625,706)
Other	512,586	(1,578,637)	(1,755,713)	(138,396)	307,015
Net assets released from restrictions	60,813	78,405	14,406	1,756,936	926,016
Increase (decrease) in endowment and other net assets	6,120,307	12,223,440	(116,044,076)	8,044,209	41,038,638
Net increase (decrease) in net assets before effect of change in accounting principle	8,277,875	15,199,613	(112,511,749)	11,696,352	44,983,384
Net assets reclassification of endowment funds					
for adoption of ASC 958-205 *	(70,307,408)	0	0	0	0
Effect of change in accounting principle	0	0	0	0	(1,602,398)

Net increase (decrease) in net assets	(62,029,533)	15,199,613	(112,511,749)	11,696,352	43,380,986
Net assets at beginning of year	248,710,433	233,510,820	346,022,569	334,326,217	290,945,231
Net assets at end of year	\$ 186,680,900	248,710,433	233,510,820	346,022,569	334,326,217

* In September 2010, New York State enacted New York Uniform Prudent Management of Institutional Funds Act (NYPMIFA). ASC 958-205, *Not-for-Profit Entities*, requires the portion of a donor restricted endowment fund that is not classified in permanently restricted net assets to be classified as temporarily restricted net assets until those amounts are appropriated for spending by the College's Board of Trustees in a manner consistent with the standard prudence prescribed by NYPMIFA.

For a complete presentation of the College's Statement of Activities as of June 30, 2011 and June 30, 2010, see the audited financial statements and accompanying notes included as [Appendix B](#) attached to this Official Statement.

Gifts and Endowments

The following table shows the amounts received by the College as gifts, grants and bequests over the past five years.

Annual Giving

<u>Year Ended June 30</u>	<u>Total</u>
2011	\$13,542,826
2010	\$12,486,328
2009	\$11,387,993
2008	\$29,743,591
2007	\$16,132,582

The College's endowment and similar funds consist of gifts restricted by donors, unrestricted net assets designated by management and the Board of Trustees for long-term support of the College's activities, and the accumulated investment return on these gifts and designated assets. Accumulated investment return consists of total endowment net investment return that has not been appropriated by the Board of Trustees for expenditures to support the operating activities of the College. Generally, only a portion of accumulated net investment return is made available for spending each year in accordance with an endowment utilization policy approved by the Board of Trustees and in accordance with the State of New York law.

In September 2010, New York State enacted New York Uniform Prudent Management of Institutional Funds Act (NYPMIFA). The College has interpreted NYPMIFA as allowing the College to spend or accumulate the amount of an endowment fund that the College determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. The College has not changed the way permanently restricted net assets are classified as a result of this interpretation and classifies as permanently restricted net assets (a) the original values of gifts donated to permanent endowments, (b) the original values of subsequent gifts to permanent endowments, and (c) accumulations to permanent endowments made in accordance with the directions of the applicable donors' gift instruments at the times the accumulations are added to the funds. ASC 958-205, *Not-for-Profit Entities*, requires the portion of a donor restricted endowment fund that is not classified in permanently restricted net assets to be classified as temporarily restricted net assets until those amounts are appropriated for spending by the Board of Trustees in a manner consistent with the standard of prudence prescribed by NYPMIFA.

In accordance with NYPMIFA, the Investment Committee considers the following factors in making a determination to appropriate or accumulate endowment funds:

- The duration and preservation of the fund
- The purposes of the College and the endowment fund
- General economic conditions
- The expected total return from income and the appreciation of investments
- Other resources of the College
- Where appropriate and where circumstances would otherwise warrant, alternatives to expenditure of endowment fund, giving due consideration to the effect that such alternatives may have on the College
- The investment policies of the College

As a result of the adoption of ASC 958-205, the College has reclassified \$70,307,408 from unrestricted net assets to temporarily restricted net assets.

The market value of the endowment funds as of June 30, 2011 was approximately \$328,000,000. The market value was comprised of true endowment, funds functioning as endowment, funds in trust, pooled life income funds and charitable gift annuities. The market value of all investments of the College as of June 30, 2011 was approximately \$340,224,000.

The total pooled endowment spending was 5.56% and 5.54% for the fiscal years ended June 30, 2011 and 2010, respectively. This rate includes the base spending rate of 5.23% and 5.22% for the fiscal years ended June 30, 2011 and 2010, respectively, as well as additional spending that was undertaken to launch the College's Minerva Houses (the U2K initiative). The Board of Trustees approved in 2001 additional endowment spending to cover the debt service and other costs associated with the Minerva House System project, one of the College's most important academic initiatives.

Investments

The investment objectives of the College focus on generating a high return to cover the spending rate, inflation, and preserving the purchasing power of the endowment while minimizing investment risk in the portfolio. The College is committed to a long-term investment policy that is based on balancing principles of strong growth over time, diversity of the portfolio, liquidity for the annual draw, and benchmarking against market indices and appropriate peer schools. Growth in the endowment depends on contributions to the endowment from capital campaigns, the success of investment management, and the rate at which income is withdrawn from the endowment in support of the College's operating budget. The Investment Committee meets quarterly to discuss various issues such as investment performance, market outlook, and liquidity needs.

The fair value and cost of investments by type are as follows at June 30:

		2011		2010	
		Fair value	Cost	Fair value	Cost
Cash and cash equivalents	\$	15,063,893	15,063,896	17,307,990	19,007,618
Common stocks and mutual funds		96,160,239	73,105,347	71,187,077	63,207,579
Fixed income – bonds		51,434,967	47,998,886	62,615,016	56,578,154
International private equity		1,913,208	541,484	1,572,264	752,908
Venture capital		3,800,764	2,207,929	2,507,045	2,497,874
Private equity		32,006,226	28,111,586	18,482,810	18,402,694
Mortgages and other		576,436	556,743	693,475	1,025,778
Multi-Strategy		493,126	214,572	736,209	530,480
Hedged equity funds		87,510,040	67,276,470	78,691,032	72,837,168
Emerging markets funds		21,850,952	23,976,661	16,598,841	21,790,325
Distressed debt		29,414,235	25,000,014	30,144,129	25,939,609
	\$	<u>340,224,086</u>	<u>284,053,588</u>	<u>300,535,888</u>	<u>282,570,187</u>

As of February 29, 2012, the market value of the College's total investments was approximately \$340,000,000, of which the College estimates \$185,000,000 could be liquidated in 120 days.

Facilities

The following table shows the historical costs of the plant assets for the past five years.

As of June 30	Land and Improvements	Buildings	Equipment	Library Contents	Construction in Progress	Total
2007	\$40,774,985	\$132,776,054	\$69,520,864	\$28,837,034	\$8,030,803	\$279,939,740
2008	\$43,078,534	\$132,776,050	\$70,741,719	\$30,179,791	\$8,282,493	\$285,058,587
2009	\$47,137,659	\$132,776,053	\$73,786,491	\$31,503,183	\$7,664,329	\$292,867,715
2010	\$50,687,913	\$132,797,936	\$75,875,628	\$32,806,323	\$19,037,812	\$311,205,612
2011	\$52,962,971	\$150,782,873	\$79,373,333	\$34,066,636	\$10,718,652	\$327,904,465

At June 30, 2011 total Accumulated Depreciation was \$184,086,974.

The College currently insures its buildings and contents, exclusive of land, on a blanket agreed amount basis for a full replacement cost in the amount of \$278,000,000.

Outstanding Indebtedness

The outstanding indebtedness of the College as of June 30, 2011 is summarized below:

<u>Description</u>	<u>Interest Rates</u>	<u>Final Maturity Date</u>	<u>Balance Outstanding 6/30/11</u> (000's)
1965 Dormitory Bonds	3.00%	2015	\$635
1995 Dormitory Authority of NY Issue-Family Loan	-	2014	\$1,379
2001 Issue-Industrial Development Agency	4.50%-5.25%	2023	\$5,962*
2003 Issue-Industrial Development Agency	3.75%-5.00%	2034	\$15,914**
2005 Issue-Industrial Development Agency	3.595% fixed portion and a portion variable	2016	\$3,937
2006 Issue-Industrial Development Agency	4.00%-5.00%	2032	\$32,522
2010 Issue-SCCRC	(30-day LIBOR+1.5%) x 67%	2040	\$9,010***
2010 Issue-JPMorgan Chase Bridge Financing	30-Day LIBOR+1.25%	2017	\$3,988****

* Anticipated to be refinanced in its entirety by the Series 2012A Bonds.

** Anticipated to be refinanced in part by the Series 2012A Bonds.

*** Amount drawn down as of February 29, 2012 from \$15,300,000 tax-exempt bond.

**** Amount drawn down as of March 21, 2012 from \$7,000,000 taxable bank loan.

Interest Rate Swap

The College has an interest rate swap related to the 2005 Issue which requires the College to pay a fixed rate of interest (3.595%) and receive variable rates of interest based on fluctuations in the one-month LIBOR rate. The notional amount of this interest rate swap is \$3,630,149 and decreases as the associated outstanding borrowing amount decreases. The swap agreement matures on July 1, 2015. The counterparty to the swap arrangement is Bank of America, with which the College also has other financial relationships. The College may be exposed to credit loss in the event of nonperformance by the counterparty. However, the College does not anticipate nonperformance by the counterparty. As of February 29, 2012, the mark to market value of the swap agreement was approximately (\$58,000).

In connection with the 2010 Issue for deferred maintenance, the College entered into an interest rate swap with JPMorganChase. The effective date on the swap was December 1, 2011. The total notional amount is \$15.3 million (increases on a stepped up basis annually with each drawn down) and the fixed rate is 2.358% to JPMorganChase. The College receives the variable rate of 67% of the one-month LIBOR. The termination date is December 1, 2017. As of February 29, 2012, the mark to market value of the swap agreement was approximately (\$1.2 million).

LITIGATION

There are various claims and pending litigation to which the College is a party. The College believes, based upon the opinion of the counsel handling such matters, that they would not, individually or in the aggregate, materially affect the ability of the College to pay the principal of and interest on the Series 2012A Bonds when due.

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UNION COLLEGE

Financial Statements

June 30, 2011 and 2010

(With Independent Auditors' Report Thereon)

UNION COLLEGE

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KPMG LLP
515 Broadway
Albany, NY 12207-2974

Independent Auditors' Report

The Board of Trustees
Union College:

We have audited the accompanying statements of financial position of Union College (College) as of June 30, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Union College as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

November 11, 2011

UNION COLLEGE
Statements of Financial Position
June 30, 2011 and 2010

Assets	2011	2010
Cash and cash equivalents	\$ 21,908,028	19,006,589
Accrued investment income	91,993	126,193
Inventories	977,598	1,028,097
Prepaid expenses and deferred charges	1,520,947	588,467
Pledges receivable, net	12,942,321	12,303,132
Notes and accounts receivable, net	9,741,365	11,645,276
Deposits with bond trustees	2,849,399	3,205,797
Investments	340,224,086	300,535,888
Due from broker	240,628	9,000,000
Irrevocable trusts	6,659,154	6,107,229
Land, buildings, and equipment, net	143,817,491	136,579,847
Other assets	1,938,881	2,004,412
Total assets	<u>\$ 542,911,891</u>	<u>502,130,927</u>
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 10,153,554	10,986,658
Construction costs payable	828,172	1,382,603
Student and other deposits	565,205	627,805
Deferred income	730,947	910,152
Long-term debt	69,602,828	65,643,704
Pooled life income and charitable gift annuities payable	5,354,118	5,747,774
Asset retirement obligations	1,664,150	1,729,500
Federal student loan funds	2,511,822	2,547,396
Accrued postretirement benefits	9,603,601	10,595,486
Total liabilities	<u>101,014,397</u>	<u>100,171,078</u>
Net assets:		
Unrestricted	186,680,900	248,710,433
Temporarily restricted	115,499,462	16,942,585
Permanently restricted	139,717,132	136,306,831
Total net assets	<u>441,897,494</u>	<u>401,959,849</u>
Total liabilities and net assets	<u>\$ 542,911,891</u>	<u>502,130,927</u>

See accompanying notes to financial statements.

UNION COLLEGE
Statement of Activities
Year ended June 30, 2011
(with summarized information for the year ended June 30, 2010)

	2011			2010
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating and other net assets:				
Revenue and reclassifications:				
Tuition and fees	\$ 89,700,239	—	—	89,700,239
Room and board	19,276,886	—	—	19,276,886
Less student aid	(36,571,063)	—	—	(36,571,063)
Net tuition, fees, room, and board	72,406,062	—	—	72,406,062
Investment return:				
Investment income	2,461,391	—	—	2,461,391
Endowment gains used to meet spending policy	17,242,370	—	—	17,242,370
Government grants	3,229,417	93,443	—	3,322,860
Private gifts and grants	6,078,476	4,303,475	—	10,381,951
Intercollegiate athletics and other sources	4,111,941	—	—	4,111,941
Auxiliary enterprises	5,057,162	—	—	5,057,162
Net assets released from restrictions	1,995,674	(1,995,674)	—	—
Total revenue and reclassifications	112,582,493	2,401,244	—	114,983,737
Expenses:				
Instructional and departmental research	39,982,204	—	—	39,982,204
Sponsored research programs	1,035,027	—	—	1,035,027
Academic support	9,680,285	—	—	9,680,285
Student services	7,811,547	—	—	7,811,547
Institutional support	19,834,724	—	—	19,834,724
Intercollegiate athletics	9,023,035	—	—	9,023,035
Auxiliaries operations	21,950,436	—	—	21,950,436
Other	1,107,667	—	—	1,107,667
Total expenses	110,424,925	—	—	110,424,925
Increase in operating and other net assets	2,157,568	2,401,244	—	4,558,812
Endowment and other net assets:				
Investment return	22,572,127	25,848,508	—	48,420,635
Endowment gains used to meet spending policy	(17,242,370)	—	—	(17,242,370)
Private gifts and grants	217,151	60,530	3,410,301	3,687,982
Other	512,586	—	—	512,586
Net assets released from restrictions	60,813	(60,813)	—	—
Increase in endowment and other net assets	6,120,307	25,848,225	3,410,301	35,378,833
Change in net assets before net asset reclassification of endowment funds for adoption of ASC 958-205	8,277,875	28,249,469	3,410,301	39,937,645
Net assets reclassification of endowment funds for adoption of ASC 958-205	(70,307,408)	70,307,408	—	—
Increase (decrease) in net assets	(62,029,533)	98,556,877	3,410,301	39,937,645
Net assets at beginning of year	248,710,433	16,942,585	136,306,831	401,959,849
Net assets at end of year	\$ 186,680,900	115,499,462	139,717,132	441,897,494

See accompanying notes to financial statements.

UNION COLLEGE
Statement of Activities
Year ended June 30, 2010

	2010			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating and other net assets:				
Revenue and reclassifications:				
Tuition and fees	\$ 85,217,375	—	—	85,217,375
Room and board	18,470,192	—	—	18,470,192
Less student aid	(33,019,953)	—	—	(33,019,953)
Net tuition, fees, room, and board	70,667,614	—	—	70,667,614
Investment return:				
Investment income	2,997,748	—	—	2,997,748
Endowment gains used to meet spending policy	17,995,240	—	—	17,995,240
Government grants	2,705,441	—	—	2,705,441
Private gifts and grants	5,009,105	5,414,161	—	10,423,266
Intercollegiate athletics and other sources	4,163,064	—	—	4,163,064
Auxiliary enterprises	5,035,095	—	—	5,035,095
Net assets released from restrictions	2,651,624	(2,651,624)	—	—
Total revenue and reclassifications	111,224,931	2,762,537	—	113,987,468
Expenses:				
Instructional and departmental research	38,660,630	—	—	38,660,630
Sponsored research programs	1,633,199	—	—	1,633,199
Academic support	9,526,309	—	—	9,526,309
Student services	7,623,412	—	—	7,623,412
Institutional support	19,893,901	—	—	19,893,901
Intercollegiate athletics	9,053,138	—	—	9,053,138
Auxiliaries operations	21,413,971	—	—	21,413,971
Other	444,198	—	—	444,198
Total expenses	108,248,758	—	—	108,248,758
Increase in operating and other net assets	2,976,173	2,762,537	—	5,738,710
Endowment and other net assets:				
Investment return	31,269,756	—	—	31,269,756
Endowment gains used to meet spending policy	(17,995,240)	—	—	(17,995,240)
Private gifts and grants	449,156	108,700	2,361,118	2,918,974
Other	(1,578,637)	—	—	(1,578,637)
Net assets released from restrictions	78,405	(78,405)	—	—
Increase in endowment and other net assets	12,223,440	30,295	2,361,118	14,614,853
Increase in net assets	15,199,613	2,792,832	2,361,118	20,353,563
Net assets at beginning of year	233,510,820	14,149,753	133,945,713	381,606,286
Net assets at end of year	\$ 248,710,433	16,942,585	136,306,831	401,959,849

See accompanying notes to financial statements.

UNION COLLEGE
Statements of Cash Flows
Years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Change in net assets	\$ 39,937,645	20,353,563
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	9,965,832	9,797,977
Realized gains and change in unrealized appreciation from investments and deposits with bond trustees, net	(48,420,635)	(31,269,756)
Gifts of securities	832	8,633
Change in present value of pooled life income	(209,945)	(218,456)
Contributions for endowment or long-lived assets	(7,006,895)	(4,805,721)
Provision for allowance for doubtful notes and accounts receivable	(50,102)	(34,247)
Loss on disposal of equipment	17,356	1,415
Changes in assets and liabilities that provide (use) cash:		
Notes and accounts receivable	1,719,244	(1,210,553)
Accrued investment income	34,200	226,069
Inventories	50,499	(90,124)
Prepaid expenses and deferred charges	(932,480)	198,642
Pledges receivable	(639,189)	(660,293)
Irrevocable trusts	(551,925)	(460,881)
Other assets	65,531	(48,077)
Accounts payable and accrued expenses	(833,104)	1,404,191
Student and other deposits	(62,600)	(20,421)
Deferred income	(179,205)	(317,535)
Accrued postretirement benefits	(991,885)	724,156
Net cash used in operating activities	<u>(8,086,826)</u>	<u>(6,421,418)</u>
Cash flows from investing activities:		
Purchases of investments, net of due to broker	(190,869,045)	(156,383,923)
Proceeds from the sales and maturities of investments, net of due from broker	208,356,766	180,901,439
Change in deposits with bond trustees	359,654	869,860
Purchases of land, buildings, and equipment, net of change in construction costs payable	(17,840,613)	(18,068,758)
Student loans issued	(663,928)	(420,090)
Proceeds from student loans collections	898,697	763,596
Net cash provided by investing activities	<u>241,531</u>	<u>7,662,124</u>
Cash flows from financing activities:		
Increase in federal student loan funds	(35,574)	(58,773)
Payments of long-term debt	(5,536,976)	(2,792,202)
Issuance of new debt	9,333,828	2,969,774
Amortization of debt issuance costs and discount/premium of long-term debt, net	162,272	199,924
Contributions for:		
Investment in endowment	4,111,551	3,667,817
Investment in long-lived assets	2,808,885	1,097,354
Investment in life income and charitable gift annuity agreements	86,459	40,550
Change in charitable gift annuities payable	(183,711)	(397,045)
Net cash provided by financing activities	<u>10,746,734</u>	<u>4,727,399</u>
Net increase in cash and cash equivalents	<u>2,901,439</u>	<u>5,968,105</u>
Cash and cash equivalents, beginning of year	<u>19,006,589</u>	<u>13,038,484</u>
Cash and cash equivalents, end of year	<u>\$ 21,908,028</u>	<u>19,006,589</u>
Supplemental data:		
Interest paid	\$ 2,821,135	2,810,577

See accompanying notes to financial statements.

UNION COLLEGE

Notes to Financial Statements

June 30, 2011 and 2010

(1) Summary of Significant Accounting Policies

(a) Organization

Union College (the College) was founded in 1795 and is a coeducational, independent, liberal arts, and engineering college located in Schenectady, New York.

(b) Basis of Presentation

The financial statements of the College have been prepared on the accrual basis of accounting. Permanently restricted net assets are those that are subject to donor-imposed stipulations that they be maintained permanently by the College. Generally, the donors of these assets permit the College to use all or part of the investment return on these assets, generally to support program activities such as financial aid and instruction. Such assets primarily include the College's permanent endowment funds. Temporarily restricted net assets carry specific, donor-imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time. Temporarily restricted net assets are generally available for program purposes such as financial aid, specified operating activities, facilities, and equipment. Unrestricted net assets are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the board of trustees or may otherwise be limited by contractual agreements with outside parties.

Unconditional contributions are recognized as contributions receivable at their estimated net present value when pledged. Contributions and investment return with donor-imposed restrictions are reported as permanently or temporarily restricted revenues and net assets. Temporarily restricted net assets are reclassified to unrestricted net assets when the College satisfies the donor-imposed restriction. Temporarily restricted contributions and investment return received and expended for the restricted purpose in the same fiscal year are recorded in unrestricted net assets. Expenses are reported as decreases in unrestricted net assets.

Endowment net assets include permanently restricted net assets and certain unrestricted and temporarily restricted net assets. Endowment net asset activities include realized and unrealized gains on investments not used to support current operations, investment return in excess or deficit of the College's spending policy for the year, and additions to or changes in the value of split-interest arrangements and life income and endowment gifts.

(c) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the fair value of certain nonmarketable investments, carrying amount of land, buildings, and equipment, valuation allowances for receivables and the accrual for postretirement benefits. These estimates and assumptions are based on management's best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the

UNION COLLEGE

Notes to Financial Statements

June 30, 2011 and 2010

circumstances. Management adjusts such estimates and assumptions when facts and circumstances dictate. Illiquid credit markets, unemployment trends, available student financial aid and increasing tuition rates have combined to increase the uncertainty inherent in such estimates and assumptions. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in those estimates resulting from continuing changes in the economic environment will be reflected in the financial statements in future periods.

(d) *Cash and Cash Equivalents*

Cash and cash equivalents, representing operating funds, include investments with an original maturity of three months or less.

(e) *Inventories*

Inventories are stated at the lower of cost or market, based upon the first-in, first-out method.

(f) *Investments*

Investments are reported in the financial statements at fair value. Investment income includes interest and dividends, realized gains (losses), and the change in unrealized appreciation (depreciation). The average cost of investment securities sold is used to determine the basis for computing realized gains or losses, and the College accounts for investments on a trade-date basis. The due from/to broker represents net amounts receivable or payable on unsettled sales and purchases.

The fair value of fixed income and publicly traded equity securities is based upon quoted market prices obtained from active markets. Shares in mutual funds are based on share values reported by the funds as of the last business day of the fiscal year. Limited partnership interests, private equity and venture capital, as well as other nonmarketable investments, including hedge funds, for which a readily determinable fair value does not exist, are carried at fair values provided by the investment managers. Such alternative investment funds may hold securities or other financial instruments for which a ready market exists and are priced accordingly. In addition, such funds may hold assets which require the estimation of fair values in the absence of readily determinable market values. Such valuations are determined by fund managers and consider variables such as financial performance of investments, including comparison of comparable companies' earnings multiples, cash flows analysis, recent sales prices of investments, and other pertinent information and may reflect discounts for the illiquid nature of certain investments held. Because of the inherent uncertainty of valuation for these investments, the investment manager's estimate may differ from the values that would have been used had a ready market existed. The College reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments.

The College utilized the net asset value (NAV) reported by each of the alternative investment funds, if available, as a practical expedient for determining the fair value of the investment. These investments are redeemable at NAV under the original terms of the subscription agreements and operations of the underlying funds. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. Due to the nature of the investments held by these funds, changes in market conditions

UNION COLLEGE

Notes to Financial Statements

June 30, 2011 and 2010

and the economic environment may significantly impact the NAV of the funds and, consequently, the fair value of the College's interests in the funds. Furthermore, changes to the liquidity provisions of the funds may significantly impact the fair value of the College's interest in the funds. Additionally, although certain investments may be sold in a secondary market transaction, subject to meeting certain requirements of the governing documents of the funds, the secondary market is not active and individual transactions are not necessarily observable. It is therefore reasonably possible that if the College were to sell a fund in the secondary market, the sale could occur at an amount different than the reported value, and the difference could be material.

Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Major U.S. and foreign equity and fixed income indices have experienced volatility and, in some cases, significant declines. Management is monitoring investment market conditions and the impact such declines are having on the College's investment portfolio. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

(g) Irrevocable Trusts

Several donors have established irrevocable trusts whereby the College is a beneficiary, but not the trustee. The present value of the portion of the trusts estimated to be distributable to the College upon the termination of the trusts is recorded as an asset of the College.

(h) Land, Buildings, and Equipment

Land, buildings, and equipment are recorded at cost, including interest on funds borrowed to finance construction, at the date of acquisition or estimated fair value at the date of donation. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, which range from 3 to 40 years.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

(i) Deferred Income

Deferred income consists primarily of student fees related to the summer session.

(j) Federal Student Loan Funds

This liability represents Perkins loan funds provided to students by the federal government through the College. The College is required to collect the loans on behalf of the federal government. The amount due from the students is reported in the College's financial statements as a component of notes receivable.

UNION COLLEGE
Notes to Financial Statements
June 30, 2011 and 2010

(k) *Pooled Life Income and Charitable Gift Annuities Payable*

The liability for the present value of the deferred gifts is based upon estimates of the life expectancy of donors and beneficiaries and discount rates. Circumstances affecting these estimates can change the estimate of the liability in future periods.

(l) *Derivative Instruments and Hedging Activities*

The College accounts for derivative investments in accordance with FASB Accounting Standards Codification (ASC) 815, *Derivatives and Hedging*, which requires that all derivative instruments be recognized in the financial statements and measured at fair value regardless of the purpose or intent for holding them. The College currently has an interest rate swap that is being adjusted to fair value, based upon information provided by a financial institution, through net assets. Additionally, the College has hedged its natural gas and energy future purchases by locking into a specified price for specific quantities of energy, to be delivered through 2012.

(m) *Revenue Recognition*

Tuition and fees and certain auxiliary enterprise revenues are earned over the academic year as services are provided. Funds received in advance of services provided are included in student and other deposits.

(n) *Sponsored Research and Programs*

Sponsored activities include various research and instructional programs funded by external parties including the federal government, state governments, and private foundations.

(o) *Auxiliary Operations*

Auxiliary operations include dining services, residence halls, the College bookstore, ice hockey rink, and telecommunications office.

(p) *Functional Expenses*

Depreciation, operations and maintenance costs, interest expense, and employee benefits are allocated to the functional expense categories reported within the operating section of the statements of activities. Depreciation and operations and maintenance costs are allocated based upon the estimated use of facilities and equipment. Interest expense is allocated based on specific identification of the use of debt proceeds. Employee benefits are allocated in relation to salary expense.

(q) *Tax Status*

The College is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from income tax on related income.

The College recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the

UNION COLLEGE

Notes to Financial Statements

June 30, 2011 and 2010

period in which the change in judgment occurs. The College believes it has taken no significant uncertain tax positions.

(r) Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, and other sources are recorded when it is possible that a liability has been incurred and the amount can be reasonably estimated. Legal costs associated with loss contingencies are expensed as incurred.

The College is subject to legal proceedings and claims that arise in the ordinary course of its business. In the opinion of management, the amount of any ultimate liability with respect to those actions will not materially affect the College's financial statements.

The College recognizes a liability for the fair value of conditional asset retirement obligations if their fair values can be reasonably estimated. This liability is initially recorded as an increase to the associated asset and depreciated over the remaining useful life of the asset. The College has identified asbestos abatement as a conditional asset retirement obligation. Asbestos abatement costs are estimated using a per square foot estimate for each impacted location. As of June 30, 2011 and 2010, the College has recorded a liability of \$1,664,150 and \$1,729,500, respectively, representing the estimate of these conditional asset retirement obligations.

Other conditional asset retirement obligations exist that are not estimable until a triggering event occurs (e.g., building sold) due to the absence or range of potential settlement dates. Presently, the College does not have sufficient information to estimate the fair value of these obligations but does not believe these items are material to the College's financial statements.

(s) Reclassifications

Certain amounts in the 2010 financial statements have been reclassified to conform to 2011 presentation.

(2) Notes and Accounts Receivable

The College extends credit, primarily to students, in the form of notes and accounts receivable for educational expenses. The students are primarily from the Northeastern United States. Notes receivable for student loans are expected to be collected within 15 years and interest rates average 8%.

Otherwise, notes receivable pertain to employee housing programs, which are expected to be collected within 30 years with interest rates averaging approximately 5.50%.

Notes receivable are recorded at their current unpaid principal balance and associated interest income is accrued based on the principal amount outstanding and applicable interest rates. An allowance for doubtful accounts is recorded, which represents the amount which, in the opinion of management of the College, is necessary to account for probable losses related to current notes receivable. This allowance is determined based upon numerous considerations, including economic conditions, the specific composition of the notes receivable balance, as well as trends of delinquencies and write-offs. On a periodic basis, these factors are considered and the allowance for doubtful accounts is adjusted accordingly with a corresponding adjustment to the provision for allowance for doubtful notes and accounts receivable.

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Notes to Financial Statements
June 30, 2011 and 2010

Notes and accounts receivable consist of the following at June 30:

	<u>2011</u>	<u>2010</u>
Notes receivable	\$ 8,699,896	9,041,146
Accounts receivable	<u>3,779,603</u>	<u>5,392,366</u>
	12,479,499	14,433,512
Less allowance for doubtful accounts	<u>2,738,134</u>	<u>2,788,236</u>
	<u>\$ 9,741,365</u>	<u>11,645,276</u>

(3) Pledges Receivable

Pledges receivable are expected to be collected as follows at June 30:

	<u>2011</u>	<u>2010</u>
In one year or less	\$ 6,004,137	5,165,409
Between one year and five years	6,922,491	7,267,006
Greater than five years	<u>461,166</u>	<u>213,225</u>
	13,387,794	12,645,640
Less:		
Present value discount (1.76% – 6.18%)	436,018	316,477
Allowance for doubtful pledges	<u>9,455</u>	<u>26,031</u>
	<u>\$ 12,942,321</u>	<u>12,303,132</u>

As of June 30, 2011 and 2010, the College has not received any conditional promises.

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Notes to Financial Statements
June 30, 2011 and 2010

(4) Investments and Fair Value

The fair value and cost of investments by type are as follows at June 30:

	2011		2010	
	Fair value	Cost	Fair value	Cost
Cash and cash equivalents	\$ 15,063,893	15,063,896	17,307,990	19,007,618
Common stocks and mutual funds	96,160,239	73,105,347	71,187,077	63,207,579
Fixed income – bonds	51,434,967	47,998,886	62,615,016	56,578,154
International private equity	1,913,208	541,484	1,572,264	752,908
Venture capital	3,800,764	2,207,929	2,507,045	2,497,874
Private equity	32,006,226	28,111,586	18,482,810	18,402,694
Mortgages and other	576,436	556,743	693,475	1,025,778
Multi-Strategy	493,126	214,572	736,209	530,480
Hedged equity funds	87,510,040	67,276,470	78,691,032	72,837,168
Emerging markets funds	21,850,952	23,976,661	16,598,841	21,790,325
Distressed debt	29,414,235	25,000,014	30,144,129	25,939,609
	<u>\$ 340,224,086</u>	<u>284,053,588</u>	<u>300,535,888</u>	<u>282,570,187</u>

The College utilizes an endowment spending policy, which emphasizes total return. Total return consists of current yield (primarily interest and dividends) as well as the realized and unrealized gains and losses of pooled investments. The College's board of trustees designates a portion of the College's total investment return for support of current operations; the remainder is retained to support operations of future years and to offset potential market declines. The pooled endowment total return for the years ended June 30, 2011 and 2010 was approximately 18% and 11%, respectively.

The following schedule summarizes the investment return and its classification in the statement of activities:

	2011	2010
Interest income and dividends	\$ 2,461,391	2,997,748
Net realized and unrealized gains	<u>48,420,635</u>	<u>31,269,756</u>
Total return on investments	50,882,026	34,267,504
Investment return designated for current operations	<u>19,703,761</u>	<u>20,992,988</u>
Investment return net of amounts designated for current operations	<u>\$ 31,178,265</u>	<u>13,274,516</u>

Investment management fees (including any incentive fees) were approximately \$6,860,000 and \$4,850,000 in 2011 and 2010, respectively. In 2011, fees paid of approximately \$1,000,000 were netted against interest income and dividends. The remaining fees are netted against endowment returns.

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Notes to Financial Statements

June 30, 2011 and 2010

(a) Fair Value

Fair value represents the price that would be received upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants as of the measurement date. Financial instruments measured and reported at fair value are classified and disclosed in one of the following categories:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the College has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety. A majority of the investments classified as Level 2 and 3 have been valued using net asset value provided by the fund manager as the practical expedient and the determination of the level within the fair value hierarchy is based upon the ability to liquidate at or near the balance sheet date.

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The College's investments as of June 30, 2011, are summarized in the following table by their fair value hierarchy classification:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Redemption frequency</u>	<u>Days notice</u>
Assets:						
Cash and cash equivalents	\$ 15,063,895	15,063,895	—	—	Daily	1
Common stocks and mutual funds:						
U.S.	74,062,339	42,440,700	31,621,639	—	Daily	1
International	22,097,900	—	22,097,900	—	Monthly	15
Fixed income – bonds	51,434,967	51,434,967	—	—	Daily	1
International private equity	1,913,208	—	—	1,913,208	Not applicable	
Venture capital	3,800,764	—	—	3,800,764	Not applicable	
Private equity	32,006,226	—	—	32,006,226	Not applicable	
Mortgages and other	576,436	576,436	—	—	Daily	1
Multi-strategy funds	493,126	—	—	493,126	Not applicable	
Hedged equity funds	87,510,040	—	66,797,871	20,712,169	Quarterly to Rolling 5 years	45 - 90
Emerging markets funds	21,850,952	—	21,850,952	—	Daily to Quarterly	1 - 30
Distressed debt	29,414,233	—	—	29,414,233	Quarterly to Annual	60 - 90
Total investments	340,224,086	109,515,998	142,368,362	88,339,726		
Natural gas and electricity forward contracts	32,723	32,723	—	—		
Deposits with bond trustees	2,849,399	2,849,399	—	—		
Due from broker	240,268	240,268	—	—		
Total assets	\$ 343,346,476	112,638,388	142,368,362	88,339,726		
Liabilities:						
Interest rate swap	\$ 467,307	467,307	—	—		
	<u>\$ 467,307</u>	<u>467,307</u>	<u>—</u>	<u>—</u>		

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The College's investments as of June 30, 2010, are summarized in the following table by their fair value hierarchy classification:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Redemption frequency</u>	<u>Days notice</u>
Assets:						
Cash and cash equivalent: \$	17,307,990	17,307,990	—	—	Daily	1
Common stocks and mutual funds:						
U.S.	56,379,307	44,088,058	12,291,249	—	Daily	1
International	14,807,770	—	14,807,770	—	Monthly	15
Fixed income – bonds	62,615,016	62,615,016	—	—	Daily	1
High yield bank loans	—	—	—	—	Daily	1
International private equity	1,572,264	—	—	1,572,264	Not applicable	
Venture capital	2,507,045	—	—	2,507,045	Not applicable	
Private equity	18,482,810	—	—	18,482,810	Not applicable	
Mortgages and other	693,475	693,475	—	—	Daily	1
Multi-strategy funds	736,209	—	—	736,209	Not applicable	
Hedged equity funds	78,691,032	—	56,334,659	22,356,373	Quarterly to Rolling 5 years	45 - 90
Emerging markets funds	16,598,841	—	16,598,841	—	Daily to Quarterly	1 - 30
Distressed debt	30,144,129	—	—	30,144,129	Quarterly to Annual	60 - 90
Total investments	300,535,888	124,704,539	100,032,519	75,798,830		
Deposits with bond trustees	3,205,797	3,205,797	—	—		
Due from broker	9,000,000	9,000,000	—	—		
Total assets	\$ 312,741,685	136,910,336	100,032,519	75,798,830		
Liabilities:						
Interest rate swap	\$ 118,955	118,955	—	—		
Natural gas and electricity forward contracts	305,111	305,111	—	—		
	\$ 424,066	424,066	—	—		

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Changes to reported investments measured at fair value using unobservable (Level 3) inputs as of June 30, 2011 and 2010 are as follows:

	International private equity	Venture capital	Private equity	Multi- Strategy	Hedged equity funds	Distressed debt	Total
Fair value, June 30, 2009	\$ 1,398,473	2,030,438	13,265,029	3,783,330	19,861,282	18,333,312	58,671,864
Net purchases, sales, settlements	(61,488)	239,422	3,960,290	(4,288,803)	—	7,703,539	7,552,960
Realized and unrealized gains/losses	235,279	237,185	1,357,984	1,235,515	2,495,092	4,107,277	9,668,332
Net interest dividends and fees	—	—	(100,493)	6,167	—	—	(94,326)
Fair value, June 30, 2010	1,572,264	2,507,045	18,482,810	736,209	22,356,374	30,144,128	75,798,830
Net purchases, sales, settlements	(211,424)	(290,945)	9,815,499	(290,898)	(5,000,000)	7,860,403	11,882,635
Realized and unrealized gains/losses	552,368	1,584,664	3,849,706	47,815	3,355,795	(8,590,298)	800,050
Net interest dividends and fees	—	—	(141,789)	—	—	—	(141,789)
Fair value, June 30, 2011	<u>\$ 1,913,208</u>	<u>3,800,764</u>	<u>32,006,226</u>	<u>493,126</u>	<u>20,712,169</u>	<u>29,414,233</u>	<u>88,339,726</u>

(b) Liquidity

The limitations and restrictions on the College's ability to redeem or sell these investments vary by investment and range from required notice periods (generally 30 to 180 days after initial lock up periods) for certain limited partnership and hedge funds, to specified terms at inception (generally 10 years) associated with private equity and venture capital interests. Based upon the terms and conditions in effect at June 30, 2011, the College's investment funds can be redeemed or sold as follows:

Investments redemption period:	
Daily	\$ 126,263,688
Monthly	22,591,026
Quarterly	58,539,391
Semi-annual	17,426,559
Annual	22,554,071
3 yrs	30,449,051
5 yrs	15,642,481
Lock up until liquidated	46,757,819
Total	<u>\$ 340,224,086</u>

Investment funds that are in the lock up until liquidation category are primarily related to private equity and venture capital investments. The period of time until liquidation is not necessarily determinable by management, as liquidation terms are at the discretion of the applicable fund's investment manager subject to market conditions and the underlying complexities of the individual investments. These liquidity restrictions have been in effect since the initial purchase of the applicable funds, which date back as far as 2001.

Under the terms of certain limited partnership agreements, the College is obligated periodically to advance additional funding for certain funds that the College is invested in. At June 30, 2011, the

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College had commitments of approximately \$12 million for which capital calls had not been exercised. Such commitments generally have fixed expiration dates or other termination clauses. The College maintains sufficient liquidity in its investment portfolio to cover such calls.

(5) Endowment

The College's endowment and similar funds consist of gifts restricted by donors, unrestricted net assets designated by management and the Board of Trustees for long-term support of the College's activities, and the accumulated investment return on these gifts and designated assets. Accumulated investment return consists of total endowment net investment return that has not been appropriated by the Board of Trustees for expenditures to support the operating activities of the College. Generally, only a portion of accumulated net investment return is made available for spending each year in accordance with an endowment utilization policy approved by the Board of Trustees and in accordance with the State of New York law.

Certain donor restricted endowment funds allow for the expenditure of principal. College designated endowment funds are unrestricted net assets that may be re-designated for authorized expenditures. At June 30, 2011 and 2010, endowment and similar funds balances are approximately \$327,800,000 and \$297,100,000, respectively, which includes pooled endowment net assets of approximately \$298,000,000 and \$267,800,000, respectively.

In September 2010, New York State enacted New York Uniform Prudent Management of Institutional Funds Act (NYPMIFA). The College has interpreted NYPMIFA as allowing the College to spend or accumulate the amount of an endowment fund that the College determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. The College has not changed the way permanently restricted net assets are classified as a result of this interpretation and classifies as permanently restricted net assets (a) the original values of gifts donated to permanent endowments, (b) the original values of subsequent gifts to permanent endowments, and (c) accumulations to permanent endowments made in accordance with the directions of the applicable donors' gift instruments at the times the accumulations are added to the funds. ASC 958-205, *Not-for-Profit Entities*, requires the portion of a donor restricted endowment fund that is not classified in permanently restricted net assets to be classified as temporarily restricted net assets until those amounts are appropriated for spending by the College's Board of Trustees in a manner consistent with the standard of prudence prescribed by NYPMIFA.

In accordance with NYPMIFA, the Investment Committee considers the following factors in making a determination to appropriate or accumulate endowment funds:

- The duration and preservation of the fund
- The purposes of the College and the endowment fund
- General economic conditions
- The expected total return from income and the appreciation of investments
- Other resources of the College

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- Where appropriate and where circumstances would otherwise warrant, alternatives to expenditure of and endowment fund, giving due consideration to the effect that such alternatives may have on the College
- The investment policies of the College

As a result of the adoption of ASC 958-205 the College has reclassified \$70,307,408 from unrestricted net assets to temporarily restricted net assets.

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The following is a summary of the changes in the endowment net assets for the year ended June 30, 2011:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Pooled endowment net assets, June 30, 2010	\$ 151,183,552	467,000	116,124,385	267,774,937
Reclassification of endowment funds for adoption of ASC 958-205	(70,307,408)	70,307,408	—	—
	<u>80,876,144</u>	<u>70,774,408</u>	<u>116,124,385</u>	<u>267,774,937</u>
Gifts and other additions:				
Contributions (excluding pledges)	217,151	402	3,848,542	4,066,095
Investment income added to principal	259,099	—	—	259,099
Other transfers	<u>2,223,327</u>	<u>—</u>	<u>31,020</u>	<u>2,254,347</u>
Subtotal	<u>2,699,577</u>	<u>402</u>	<u>3,879,562</u>	<u>6,579,541</u>
Investment income:				
Interest and dividends	1,776,855	—	—	1,776,855
Realized gain/(loss) on sale of securities	2,782,187	6,175,286	—	8,957,473
Change in unrealized appreciation	<u>19,066,080</u>	<u>16,349,159</u>	<u>—</u>	<u>35,415,239</u>
Subtotal	<u>23,625,122</u>	<u>22,524,445</u>	<u>—</u>	<u>46,149,567</u>
Income distributed for operating purposes:				
Cash and accrued interest and dividends	1,776,855	—	—	1,776,855
Gains used to meet endowment spending	17,242,370	—	—	17,242,370
Other transfers	<u>3,508,334</u>	<u>—</u>	<u>18,430</u>	<u>3,526,764</u>
Subtotal	<u>22,527,559</u>	<u>—</u>	<u>18,430</u>	<u>22,545,989</u>
Pooled endowment net assets, June 30, 2011	<u>84,673,284</u>	<u>93,299,255</u>	<u>119,985,517</u>	<u>297,958,056</u>
Other endowment and similar net assets, June 30, 2010	8,768,773	3,773,451	16,761,370	29,303,594
Investment income	213,432	—	—	213,432
Realized gain (loss) on sale of securities	—	521,746	—	521,746
Change in unrealized appreciation	—	2,802,317	—	2,802,317
Contributions (excluding pledges)	—	60,128	71,787	131,915
Actuarial adjustments	510,428	—	—	510,428
Other changes	<u>(3,075,738)</u>	<u>(60,813)</u>	<u>(548,635)</u>	<u>(3,685,186)</u>
Other endowment and similar net assets June 30, 2011	<u>6,416,895</u>	<u>7,096,829</u>	<u>16,284,522</u>	<u>29,798,246</u>
Total endowment and similar net assets, June 30, 2011	<u>\$ 91,090,179</u>	<u>100,396,084</u>	<u>136,270,039</u>	<u>327,756,302</u>

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The following is a summary of the changes in the endowment net assets for the year ended June 30, 2010:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Pooled endowment net assets, June 30, 2009	\$ 147,654,008	364,971	113,037,207	261,056,186
Gifts and other additions:				
Contributions (excluding pledges)	449,156	102,029	2,995,038	3,546,223
Investment income added to principal	155,650	—	—	155,650
Other transfers	2,679,566	—	92,140	2,771,706
Subtotal	3,284,372	102,029	3,087,178	6,473,579
Investment income:				
Interest and dividends	2,291,221	—	—	2,291,221
Realized gain/(loss) on sale of securities	8,207,564	—	—	8,207,564
Change in unrealized appreciation	20,486,632	—	—	20,486,632
Subtotal	30,985,417	—	—	30,985,417
Income distributed for operating purposes:				
Cash and accrued interest and dividends	2,291,221	—	—	2,291,221
Gains used to meet endowment spending	17,995,267	—	—	17,995,267
Other transfers	10,453,757	—	—	10,453,757
Subtotal	30,740,245	—	—	30,740,245
Pooled endowment net assets, June 30, 2010	151,183,552	467,000	116,124,385	267,774,937
Other endowment and similar net assets, June 30, 2009	9,207,543	3,845,185	17,196,206	30,248,934
Investment income	262,730	—	—	262,730
Realized gain (loss) on sale of securities	99,296	—	—	99,296
Change in unrealized appreciation	1,047,239	—	—	1,047,239
Contributions (excluding pledges)	—	6,671	155,473	162,144
Actuarial adjustments	627,533	—	—	627,533
Other changes	(2,475,568)	(78,405)	(590,309)	(3,144,282)
Other endowment and similar net assets June 30, 2010	8,768,773	3,773,451	16,761,370	29,303,594
Total endowment and similar net assets, June 30, 2010	\$ 159,952,325	4,240,451	132,885,755	297,078,531

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Endowment net assets are classified as follows at June 30:

	<u>2011</u>	<u>2010</u>
Unrestricted	\$ 91,090,179	159,952,325
Temporarily restricted	100,396,084	4,240,451
Permanently restricted	<u>136,270,039</u>	<u>132,885,755</u>
	<u>\$ 327,756,302</u>	<u>297,078,531</u>

(a) *Spending Policy*

The College has a policy of appropriating for distribution to the budget each year a percentage of its pooled endowment fund based on the fund's three year average market value as of June 30, with a two-year lag. For the year ended June 30, 2011, the three fiscal years used in the calculation are the fiscal years ended June 30, 2007, 2008, and 2009. For the year ended June 30, 2010, the three fiscal years used in the calculation are the fiscal years ended June 30, 2006, 2007, and 2008.

The total pooled endowment spending was 5.56% and 5.54% for the fiscal years ended June 30, 2011 and 2010, respectively. This rate includes the base spending rate of 5.23% and 5.22% for the fiscal years ended June 30, 2011 and 2010, respectively, as well as additional spending that was undertaken to launch the College's Minerva Houses (the U2K initiative). The Board of Trustees approved in 2001 additional endowment spending to cover the debt service and other costs associated with the Minerva House System project, one of the College's most important academic initiatives.

As described in the College's Strategic Plan, the College plans to reduce total spending to 5.60%. The goal of reducing the spending rate has prompted measures including the dedication of a significant segment of the current capital campaign to endowment support, in order to provide income to support the College's operating budget and reinvestment of a significant portion of recent variances from budget into the endowment.

(b) *Return Objectives and Risk Parameters*

Investment objectives focus on generating a high return to cover the spending rate, inflation, and preserving the purchasing power of the endowment while minimizing investment risk in the portfolio. The College is committed to a long-term investment policy that is based on balancing principles of strong growth over time, diversity of the portfolio, liquidity for the annual draw, and benchmarking against market indices and appropriate peer schools. Growth in the endowment depends on contributions to the endowment from capital campaigns, the success of investment management, and the rate at which income is withdrawn from the endowment in support of the College's operating budget. The Investment Committee meets quarterly to discuss various issues such as investment performance, market outlook, and liquidity needs.

(c) *Funds with Deficiencies*

As of June 30, 2011, for certain endowment funds the current market value per share is less than the original market value per share at the time of gift. Where normal investment performance has driven

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the endowment fund below the historic dollar value, the account is commonly termed “underwater”. For underwater accounts, the spending amount from these accounts is limited to the current income (interest and dividends) only. There are no available gains from prior years’ investing against which to apply the total return spending formula. This limitation only pertains to permanently restricted true endowments, not quasi endowments.

For funds that are underwater, the gap between the current income and the spending formula is covered through appropriations from other quasi endowments/accumulated quasi realized gains or other unrestricted funds. At June 30, 2011, approximately 240 endowment accounts (approximately 22% of the total number of pooled endowment accounts), totaling approximately \$36 million, were underwater with total market value less than book of approximately \$3.7 million. A total of approximately \$1.4 million was transferred from accumulated quasi endowment gains to cover the shortfall between current income and the total return spending formula at June 30, 2011.

(6) Land, Buildings, and Equipment

The following is a summary of land, buildings, and equipment at June 30:

	<u>2011</u>	<u>2010</u>
Land	\$ 101	101
Buildings	150,782,873	132,797,936
Equipment	79,373,333	75,875,628
Improvements	52,962,870	50,687,812
Library contents	34,066,636	32,806,323
Construction in progress	<u>10,718,652</u>	<u>19,037,812</u>
	327,904,465	311,205,612
Less accumulated depreciation	<u>(184,086,974)</u>	<u>(174,625,765)</u>
	<u>\$ 143,817,491</u>	<u>136,579,847</u>

Capitalized interest was \$103,853 and \$0 during the years ended June 30, 2011 and 2010, respectively. Depreciation expense was \$9,965,832 and \$9,797,977 for the years ended June 30, 2011 and 2010, respectively. For the years ended June 30, 2011 and 2010, fixed assets (original cost) disposed were \$587,329 and \$421,237, respectively.

At June 30, 2011, the College has outstanding contracts totaling \$2,868,828 for the purchase and renovation of certain properties. Completion of these projects will occur within the next two years.

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(7) Long-Term Debt

The following is a summary of long-term debt:

	Maturity date	Interest rate	Outstanding at June 30	
			2011	2010
NYS Dormitory Authority				
Bonds:				
1992 Issue – Family Loan	2010	—	\$ —	190,000
1995 Issue – Family Loan	2014	—	1,379,454	1,990,939
1965 Dormitory Bonds:				
Fox and Davidson	2015	3.00%	635,000	750,000
Industrial Development Agency				
Bonds:				
2001 Issue – Industrial				
Development Agency	2023	4.5 – 5.25%	5,962,063	6,876,402
2003 Issue – Industrial				
Development Agency	2034	3.75 – 5.00%	15,913,987	15,892,204
2005 Issue – Industrial				
Development Agency	2016	3.595% fixed portion and variable portion	3,937,404	4,411,526
2006 Issue – Industrial				
Development Agency	2032	4.00% – 5.00%	32,522,245	32,562,858
2010 Bank of America				
Line of credit	2011	one-month LIBOR +0.75%	—	2,969,775
2010 Issue – JP Morgan				
Chase Deferred				
Maintenance	2040	(30-day LIBOR +1.5%) x 67%	6,009,707	—
2010 Issue – JP Morgan				
Chase Bridge Financing –				
Wold and Social Sciences	2017	30-Day LIBOR+1.25%	3,242,968	—
Total debt			<u>\$ 69,602,828</u>	<u>65,643,704</u>

Interest expense on the above long-term debt was \$3,157,778 and \$2,758,404 for 2011 and 2010, respectively.

The face value of the long-term debt was \$70,101,574 and \$63,034,792 at June 30, 2011 and 2010, respectively. The fair value of long term debt is based on rates currently available to the College for debt with similar terms and maturities. The estimated fair value of long term debt at June 30, 2011 and 2010 is approximately \$69,000,000 and \$57,800,000, respectively.

Proceeds of long-term debt have been used by the College to finance building and construction programs, as well as student loan programs. The Family Loan issues are collateralized by the repayment of student

UNION COLLEGE

Notes to Financial Statements

June 30, 2011 and 2010

loans receivable. The College is required to maintain various reserve accounts in conjunction with the debt agreements that are reported as deposits with bond trustees in the statements of financial position. Certain debt is collateralized by municipal bond insurance.

The College has an interest rate swap related to the 2005 issue which requires the College to pay a fixed rate of interest (3.595%) and receive variable rates of interest based on fluctuations in the one-month LIBOR rate. The notional amount of this interest rate swap is \$3,630,149 and decreases as the associated outstanding borrowings amount decreases. The swap agreement matures on July 1, 2015. The counterparty to the swap arrangement is a major financial institution with which the College also has other financial relationships. The College may be exposed to credit loss in the event of nonperformance by the counterparty. However, the College does not anticipate nonperformance by the counterparty.

In December 2010, the College borrowed \$15,310,000 through the Schenectady County Capital Resource Corporation, utilizing a tax-exempt revenue bond. JPMorganChase acted as the purchaser of the bond. The debt will be used to finance \$15 million of the College's \$30 million Deferred Maintenance Program. The proceeds will be used for the renovation and rehabilitation of portions of existing buildings and other improvements located on the campus, as well as the acquisition and installation of certain machinery and equipment in order to upgrade existing educational facilities, and other directly or indirectly related activities for use by the College, as well as pay for costs of issuance. The final maturity on the bond will be December 1, 2040, subject to Optional Tender by JPMorganChase on December 1, 2017. The interest rate is variable at 67% multiplied by 1-month LIBOR + 100.5 basis points. As of June 30, 2011, the College had drawn down approximately \$6,000,000 against this borrowing.

In connection with the \$15.3 million tax-exempt financing, the College entered into a forward starting interest rate swap with JPMorganChase. The effective date on the swap is December 1, 2011. The notional amount is \$15.3 million and the fixed rate is 2.358% to JPMorganChase. Union will receive the variable rate of 67% of 1-month LIBOR. The termination date is December 1, 2017.

In December 2010, the College also borrowed \$7 million directly through JPMorganChase, utilizing a taxable revolving loan. This bridge financing will be used as a form of revolving credit to finance the costs of various capital projects and repaid through gifts received for the projects, including the construction of the Peter Irving Wold Center for Science & Engineering, as well as renovating the Social Sciences building, now named Lippman Hall, as well as pay for costs of issuance. The interest rate is variable at 1-month LIBOR plus 125 basis points. The final maturity of the loan is December 1, 2017. As of June 30, 2011, the College had drawn down approximately \$3,200,000 against this borrowing.

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Notes to Financial Statements
June 30, 2011 and 2010

Principal payments and amortization of long-term debt are as follows:

Year ending June 30:	
2012	\$ 1,474,930
2013	2,380,642
2014	2,142,874
2015	2,878,621
2016	4,711,406
Thereafter	56,014,355
	<u>\$ 69,602,828</u>

Line of Credit

The College has an unsecured line of credit in the amount of \$5,000,000 with Bank of America, which expires March 23, 2012. Each advance under the line of credit will carry one of two interest rates; a variable rate equal to the Bank of America prime rate or a fixed rate equal to the one-month LIBOR rate plus 0.75% (adjusted each month). As of June 30, 2011, the College had not borrowed against this line of credit.

(8) Benefit Plans

(a) Retirement Plan

The College has a defined contribution retirement plan under arrangements with Teachers' Insurance and Annuity Association and College Retirement Equities Fund (TIAA-CREF) and Fidelity, which provide for purchases of annuities and investments for all of its faculty members and nonacademic employees.

The College's policy is to fund pension costs, which were \$4,699,596 and \$4,596,198 for the years ended June 30, 2011 and 2010, respectively.

(b) Postretirement Healthcare Plan

The College has also elected to pay for a portion of healthcare benefits for retired employees based upon years of service at retirement date. The College recognizes the cost of healthcare benefits on an accrual basis over the working lifetime of employees.

The College provides health insurance benefits for eligible employees upon retirement and applies the provisions of ASC 715, *Compensation – Retirement Benefits*, which requires an employer to recognize the overfunded or underfunded status of a defined benefit post retirement plan (the Plan) as an asset or liability and to recognize changes in that funded status in the year they occur. The College uses a June 30 measurement date for the Plan.

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Notes to Financial Statements

June 30, 2011 and 2010

The Plan's funded status, amounts recognized, significant assumptions used, contributions made, and benefits paid included in the College's financial statements as of June 30, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Change in benefit obligations:		
Benefit obligation at beginning of year	\$ 10,595,486	9,871,330
Service cost	313,612	281,889
Interest cost	454,302	530,284
Plan amendments	—	(269,969)
Actuarial (loss) gain	(1,427,917)	581,100
Benefits paid	<u>(331,882)</u>	<u>(399,148)</u>
Benefit obligation at end of year	<u>\$ 9,603,601</u>	<u>10,595,486</u>
	<u>2011</u>	<u>2010</u>
Accrued benefit cost:		
Funded status	\$ (9,603,601)	(10,595,486)
Weighted average assumptions as of June 30:		
Discount rate	5.21%	5.09%

For measurement purposes, a 8.7% annual rate of increase in the per capital cost of covered healthcare benefits was assumed for 2011. The rate was assumed to decrease to 8% in 2012, to 7.4% in 2013, and then decrease gradually from 6.8% to 4.7% for 2014 and thereafter.

	<u>2011</u>	<u>2010</u>
Components of net periodic benefit cost:		
Service cost	\$ 313,612	281,889
Interest cost	454,302	530,284
Amortization of loss	138,272	159,060
Amortization of prior service cost	<u>(160,729)</u>	<u>(160,729)</u>
Net periodic postretirement benefit cost	<u>\$ 745,457</u>	<u>810,504</u>

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Notes to Financial Statements
June 30, 2011 and 2010

Amounts recorded in unrestricted net assets as of June 30, 2011 and 2010, not yet amortized as components of net periodic benefit costs are as follows:

	<u>2011</u>	<u>2010</u>
Unamortized prior service costs	\$ (1,027,874)	(1,188,603)
Unamortized actuarial loss	<u>2,260,392</u>	<u>3,826,581</u>
Amount recognized as a reduction in unrestricted net assets	<u>\$ 1,232,518</u>	<u>2,637,978</u>

The amortization of the above items expected to be recognized in net periodic costs for the year ended June 30, 2012 is \$(34,000).

Assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthcare plans. A one-percentage-point change in the healthcare trend rates would have the following effect:

	<u>2011</u>		<u>2010</u>	
	<u>One percentage point</u>		<u>One percentage point</u>	
	<u>Increase</u>	<u>Decrease</u>	<u>Increase</u>	<u>Decrease</u>
Effect on total of service and interest cost components	\$ 38,897	(34,099)	43,902	(38,640)
Effect on postretirement benefit obligation	419,695	(369,079)	513,006	(452,846)

The following benefit payments, which reflect expected future service and the impact of the Medicare Part D subsidy, as appropriate, are expected to be paid:

	<u>Postretirement benefits</u>
2012	\$ 408,543
2013	459,457
2014	514,104
2015	555,213
2016	604,033
2017 – 2021	3,716,668

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Notes to Financial Statements
June 30, 2011 and 2010

(9) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets consist of the following at June 30:

	<u>2011</u>	<u>2010</u>
Pledges for instruction, scholarship, facilities, and other departmental support	\$ 9,495,228	8,882,057
Capital projects	2,746,238	2,820,077
Pooled term endowments	93,299,255	467,000
Life income and annuity agreements	2,751,968	2,793,109
Funds in trust and other non-pooled endowments	4,344,861	980,342
Annual restricted scholarships and other funds	2,861,912	1,000,000
Total	<u>\$ 115,499,462</u>	<u>16,942,585</u>

Permanently restricted net assets consist of the following at June 30:

	<u>2011</u>	<u>2010</u>
Pledges to endowment for scholarship and other departmental support	\$ 3,447,093	3,421,075
Pooled endowments	119,985,517	116,124,385
Nonpooled endowments	6,960,646	6,970,137
Life income and annuity agreements	1,170,711	1,401,948
Funds in trust	8,153,165	8,389,286
Total	<u>\$ 139,717,132</u>	<u>136,306,831</u>

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Notes to Financial Statements
June 30, 2011 and 2010

(10) Expenses prior to Allocation

The following table compares expenses, including student aid, for the years ended June 30, 2011 and 2010, prior to the allocation of operations and maintenance of plant, employee benefits, depreciation, and interest expense:

	<u>2011</u>	<u>2010</u>
Instructional and departmental research	\$ 25,334,137	24,961,715
Sponsored research programs	1,035,027	1,633,199
Academic support	6,409,985	6,294,694
Student services	4,977,074	4,829,590
Institutional support	13,666,041	13,605,136
Intercollegiate athletics	4,642,523	4,495,131
Student aid	36,422,548	32,809,978
Auxiliaries operations	12,151,068	11,427,696
Other	<u>1,107,967</u>	<u>444,198</u>
Total expenses prior to allocation	<u>105,746,370</u>	<u>100,501,337</u>
Operations and maintenance of plant	9,849,327	10,165,503
Employee benefits	18,033,493	17,635,993
Depreciation and change in asset retirement obligations	9,965,832	9,797,976
Interest on long-term debt	3,157,778	2,758,402
Amortization of issuance costs	<u>243,188</u>	<u>409,500</u>
Total allocated expenses	<u>41,249,618</u>	<u>40,767,374</u>
Total	<u>\$ 146,995,988</u>	<u>141,268,711</u>

Included in institutional support are \$4,241,883 and \$4,148,911 of fund-raising expenses for the years ended June 30, 2011 and 2010, respectively. Costs incurred include expenses related to solicitation activities to obtain gifts and bequests, as well as special cultivation events that may result in contributions that will be received in future periods.

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Notes to Financial Statements

June 30, 2011 and 2010

(11) Collections

The College's collections are made up of approximately 3,000 objects and their estimated fair value is approximately \$14,500,000. The College's policy is not to capitalize its collections. The College's collections comprise paintings and portraits, furniture, works on paper, scientific instrumentation, and other objects.

The College's collections are held for educational, research, scientific, and curatorial purposes. Each of the items is cataloged, preserved, and cared for, and activities verifying their existence and assessing their condition are performed periodically. All proceeds resulting from the deaccessioning of objects from the permanent collection are allocated for the benefit of the collections. During the years ended June 30, 2011 and 2010, no objects were deaccessioned.

(12) Subsequent Events

For purposes of determining the effects of subsequent events on these financial statements, management has evaluated events subsequent to June 30, 2011 and through November 11, 2011, the date on which the financial statements were available to be issued.

APPENDIX C

GLOSSARY AND SUMMARIES OF CERTAIN PROVISIONS OF CERTAIN OF THE BOND DOCUMENTS

GLOSSARY

The following terms have the meanings stated herein when used in this Appendix and the documents summarized below:

“Account” means, with respect to any Series of Bonds, an account created within any Fund designated and created pursuant to Section 401 of the Indenture.

“Accountant” means an independent certified public accountant or a firm of independent certified public accountants selected by the Institution.

“Act” means the Enabling Act.

“Additional Bonds” means any bonds issued by the Issuer pursuant to Section 214 of the Indenture.

“Additional Equipment” means, in connection with any Additional Project, any additional materials, machinery, equipment, fixtures or furnishings intended to be acquired with the proceeds of a related Series of Additional Bonds, or intended to be acquired with any payment which the Institution incurred in anticipation of the issuance of such Series of Additional Bonds and for which the Institution will be reimbursed from the proceeds of such Series of Additional Bonds, and such substitutions and replacements therefor and additions thereto as may be made from time to time pursuant to the Loan Agreement.

“Additional Facility” means, in connection with any Additional Project, any buildings, improvements, structures, and other related facilities (A) located on the Land or the Additional Land, (B) financed or refinanced with the proceeds of the sale of a Series of Additional Bonds or any payment made by the Institution pursuant to Section 3.5 of the Loan Agreement or any payment which the Institution incurred in anticipation of the issuance of such Series of Additional Bonds and for which the Institution will be reimbursed from the proceeds of such Series of Additional Bonds, and (C) not constituting a part of the Additional Equipment, all as they may exist from time to time.

“Additional Land” means, with respect to any Series of Additional Bonds, any real estate which will be the site of an Additional Project Facility intended to be financed with the proceeds of such Series of Additional Bonds.

“Additional Project” means the purposes for which any Series of Additional Bonds may be issued.

“Additional Project Facility” means any Additional Land, Additional Facility or Additional Equipment acquired by the Issuer in connection with the issuance of any Series of Additional Bonds.

“Applicable Laws” means all statutes, codes, laws, acts, ordinances, orders, judgments, decrees, injunctions, rules, regulations, permits, licenses, authorizations, directions and requirements of all Governmental Authorities, foreseen or unforeseen, ordinary or extraordinary, which now or at any time hereafter may be applicable to or affect the Project Facility or any part thereof or the conduct of work on the Project Facility or any part thereof or to the operation, use, manner of use or condition of the Project Facility or any part thereof (the applicability of such statutes, codes, laws, acts, ordinances, orders, rules, regulations, directions and requirements to be determined both as if the Issuer were the owner of the Project Facility and as if the Institution and not the Issuer were the owner of the Project Facility), including but not limited to (1) applicable building, zoning, environmental, planning and subdivision laws, ordinances, rules and regulations of Governmental Authorities having jurisdiction over the Project Facility, (2) restrictions, conditions or other requirements applicable to any permits, licenses or other governmental authorizations issued with respect to the foregoing, and (3) judgments, decrees or injunctions issued by any court or other judicial or quasi-judicial Governmental Authority.

“Arbitrage Certificate” means (A) with respect to the Initial Bonds, the Initial Arbitrage Certificate and (B) with respect to any Series of Additional Bonds intended to be issued as Tax-Exempt Bonds, any similar document executed by the Issuer in connection with the issuance and sale of such Series of Additional Bonds.

“Authorized Denominations” means: (A) with respect to the Initial Bonds, \$5,000 and any integral multiple of \$5,000 in excess thereof, except that, if as a result of a redemption, partially redeemed Initial Bonds cannot be issued in such denominations, such partially redeemed Initial Bonds shall be reissued in such other denominations to the extent required to effect such redemption; and (B) with respect to any Series of Additional Bonds, the authorized denominations for such Series of Additional Bonds as set forth in the supplemental indenture relating thereto.

“Authorized Investments” means any of the following: (A) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America; (B) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself): (1) U.S. Export-Import Bank (“Eximbank”), (2) Farmers Home Administration (“FmHA”), (3) Federal Financing Bank, (4) Federal Housing Administration Debentures (“FHA”), (5) General Services Administration, (6) Government National Mortgage Association (“GNMA” or “Ginnie Mae”), (7) U.S. Maritime Administration, and (8) U.S. Department of Housing and Urban Development (“HUD”); (C) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself): (1) Federal Home Loan Bank System, (2) Federal Home Loan Mortgage Corporation (“FHLMC” or “Freddie Mac”), (3) Federal National Mortgage Association (“FNMA” or “Fannie Mae”), (4) Student Loan Marketing Association (“SLMA” or “Sallie Mae”), (5) Resolution Funding Corp. (“REFCORP”) obligations, and (6) Farm Credit System; (D) money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by Standard & Poor’s of “AAAm-G”, “AAA-m”; or “AA-m” and if rated by Moody’s

rated "Aaa", "Aa1" or "Aa2"; (E) certificates of deposit secured at all times by collateral described in (A) and/or (B) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the bondholders must have a perfected first security interest in the collateral; (F) certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF; (G) investment agreements, including GIC's, Forward Purchase Agreements and Put Agreements acceptable to the Trustee; (H) commercial paper rated, at the time of purchase, "Prime - 1" by Moody's and "A-1" or better by Standard & Poor's; (I) bonds or notes issued by any state or municipality which are rated by Moody's and Standard & Poor's in one of the two highest rating categories assigned by such agencies; (J) federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime - 1" or "A3" or better by Moody's and "A-1" or "A" or better by Standard & Poor's; and (K) repurchase agreements for 30 days or less must follow the following criteria. The criteria is described as follows: (1) Repos must be between the municipal entity and a dealer bank or securities firm (a) primary dealers on the Federal Reserve reporting dealer list which are rated A or better by Standard & Poor's Corporation and Moody's Investor Services, or (b) banks rated "A" or above by Standard & Poor's Corporation and Moody's Investor Services; (2) the written repo contract must include the following: (a) securities which are acceptable for transfer are: (i) direct U.S. governments, or (ii) Federal agencies backed by the full faith and credit of the U.S. government (and FNMA & FHLMC), (b) the term of the repo may be up to 30 days, (c) the collateral must be delivered to the municipal entity, trustee (if trustee is not supplying the collateral) or third party acting as agent for the trustee (if the trustee is supplying the collateral) before/simultaneous with payment (perfection by possession of certificated securities), (d) valuation of collateral - the securities must be valued weekly, marked-to-market at current market price plus accrued interest. The value of collateral must be equal to 104% of the amount of cash transferred by the municipal entity to the dealer bank or security firm under the repo plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by municipality, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105%, and (3) legal opinion which must be delivered to the municipal entity: (a) repo meets guidelines under state law for legal investment of public funds.

"Authorized Representative" means the Person or Persons at the time designated to act on behalf of the Issuer or the Institution, as the case may be, by written certificate furnished to the Trustee containing the specimen signature of each such Person and signed on behalf of (A) the Issuer by its Chairman or Vice-Chairman, or such other person as may be authorized by resolution of the Issuer to act on behalf of the Issuer, (B) the Institution by its Chief Executive Officer or Chief Financial Officer, or such other person as may be authorized by the board of trustees of the Institution to act on behalf of the Institution and (C) the Trustee by any Vice President, Assistant Vice President or Trust Officer, or such other person as may be authorized by the board of directors of the Trustee to act on behalf of the Trustee.

"Available Moneys" means any moneys on deposit with the Trustee for the benefit of the Bondholders which are (A) proceeds of the Bonds, or of any bonds issued for the purpose of refunding the Bonds, (B) amounts on deposit for a period of 124 consecutive days during which no petition in bankruptcy under the Bankruptcy Code has been filed against the entity which paid such money, and no similar proceedings have been instituted under state insolvency or other laws affecting creditors' rights generally, or (C) any moneys with respect to which an unqualified opinion from nationally recognized counsel has been received stating that such payments to Bondholders would not constitute voidable preferences under Section 547 of the Bankruptcy Code, or similar state or federal laws with voidable preferences in the event of the filing of a petition for relief under the Bankruptcy Code, or similar state or

federal laws with voidable preference provisions by or against the entity from which the money is received.

“Bankruptcy Code” means the United States Bankruptcy Code, constituting Title 11 of the United States Code, as amended from time to time, and any successor statute.

“Beneficial Owner” means, with respect to a Bond, a Person owning a Beneficial Ownership Interest therein, as evidenced to the satisfaction of the Trustee.

“Beneficial Ownership Interest” means the beneficial right to receive payments and notices with respect to the Bonds which are held by the Depository under a Book Entry System.

“Bond” or “Bonds” means, collectively, (A) the Initial Bonds and (B) any Additional Bonds.

“Bond Counsel” means the law firm of Hodgson Russ LLP, Albany, New York or such other attorney or firm of attorneys located in the State whose experience in matters relating to the issuance of obligations by states and their political subdivisions is nationally recognized and who are acceptable to the Issuer.

“Bond Fund” means the fund so designated established pursuant to Section 401(A)(3) of the Indenture.

“Bondholder” or “Holder” or “Owner of the Bonds” means the registered owner of any Bond, as indicated on the bond register maintained by the Bond Registrar, except that wherever appropriate the term “Owners” shall mean the owners of the Bonds for federal income tax purposes.

“Bond Payment Date” means each Interest Payment Date and each date on which principal or interest or premium, if any, or a Sinking Fund Payment, shall be payable on the Bonds according to their terms and the terms of the Indenture, including without limitation scheduled mandatory Redemption Dates, unscheduled mandatory Redemption Dates, dates of acceleration of the Bonds pursuant to Section 602 of the Indenture, optional Redemption Dates and Stated Maturity, so long as any Bonds shall be Outstanding.

“Bond Proceeds” means (A) with respect to the Initial Bonds, the proceeds of the sale of the Initial Bonds, including any accrued interest, paid to the Trustee on behalf of the Issuer by the Underwriter as the purchase price of the Initial Bonds, and (B) with respect to any Series of Additional Bonds, the proceeds of the sale of such Series of Additional Bonds, including any accrued interest, paid to the Trustee on behalf of the Issuer by the purchasers of such Series of Additional Bonds as the purchase price of such Series of Additional Bonds.

“Bond Purchase Agreement” means (A) with respect to the Initial Bonds, the Initial Bond Purchase Agreement, and (B) with respect to any Series of Additional Bonds, any similar document executed by the Issuer and/or the Institution in connection with the issuance and sale of such Series of Additional Bonds.

“Bond Register” means the register maintained by the Bond Registrar in which, subject to such reasonable regulations as the Issuer, the Trustee or the Bond Registrar may prescribe, shall provide for the registration of the Bonds and for the registration of transfers of the Bonds.

“Bond Registrar” means the Trustee, acting in its capacity as bond registrar under the Indenture, and its successors and assigns as bond registrar under the Indenture.

“Bond Resolution” means (A) with respect to the Initial Bonds, the Initial Bond Resolution and (B) with respect to any Series of Additional Bonds, any resolution adopted by the members of the board of directors of the Issuer authorizing the issuance of such Series of Additional Bonds.

“Bond Year” (A) with respect to the Initial Bonds, means each one (1) year period ending on the anniversary of the Closing Date relating to the Initial Bonds, or such other bond year as the Institution and the Issuer may select from time to time in a manner complying with the Code, and (B) with respect to any Series of Additional Bonds issued as Tax-Exempt Bonds, shall have the meaning set forth in the supplemental indenture related to such Series of Additional Bonds.

“Book Entry Bonds” means Bonds held in Book Entry Form with respect to which the provisions of Section 213 of the Indenture shall apply.

“Book Entry Form” or “Book Entry System” means, with respect to the Bonds, a form or system, as applicable, under which (A) the Beneficial Ownership Interests may be transferred only through a book entry and (B) physical Bond certificates in fully registered form are registered only in the name of a Depository or its nominee as Bondholder, with the physical Bond certificates “immobilized” in the custody of the Depository or a custodian on behalf of the Depository. The Book Entry System which is maintained by and the responsibility of the Depository (and which is not maintained by or the responsibility of the Issuer or the Trustee) is the record that identifies, and records the transfer of the interests of, the Owners of book entry interests in the Bonds.

“Business Day” means any day of the year other than (A) a Saturday or Sunday, (B) a day on which the New York Stock Exchange is closed or (C) a day on which commercial banks in New York, New York, or the city or cities in which the Office of the Trustee is located, are authorized or required by law, regulation or executive order to close.

“Certificate of Authentication” means the certificate of authentication in substantially the form attached to the form of the Initial Bonds attached as Schedule I to the Indenture.

“Certificate of Determination” means, (A) with respect to the Initial Bonds, the certificate of determination executed by the Chairman, Vice Chairman or Chief Executive Officer of the Issuer relating to the Initial Bonds, and (B) with respect to any Series of Additional Bonds, the document by which the Issuer evidences its approval of the terms of such Series of Additional Bonds.

“Closing Date” means (A) with respect to the Initial Bonds, the date on which authenticated Initial Bonds are delivered to or upon the order of the Underwriter and payment is received therefor by the Trustee on behalf of the Issuer, and (B) with respect to any Series of Additional Bonds, the date on which such Additional Bonds of such Series are authenticated and delivered to the purchaser thereof and payment therefor is received by the Trustee on behalf of the Issuer.

“Code” means the Internal Revenue Code of 1986, as amended, including, when appropriate, the statutory predecessor of said Code, and the applicable regulations (whether proposed, temporary or final) of the United States Treasury Department promulgated under said Code and the statutory predecessor of

said Code, and any official rulings and judicial determinations under the foregoing applicable to the Bonds.

“Completion Date” means (A) with respect to the Initial Project, the date of substantial completion of the Initial Project, as evidenced in the manner provided in Section 3.4 of the Loan Agreement and (B) with respect to any Additional Project, the date of substantial completion of the undertaking of such Additional Project, as evidenced in the manner provided in Section 3.4 of the Loan Agreement.

“Condemnation” means the taking of title to, or the use of, Property under the exercise of the power of eminent domain by any Governmental Authority.

“Construction Period” means, with respect to any Additional Project, the period (A) beginning on the earlier of the Inducement Date or the Official Action Date relating thereto and (B) ending on the Completion Date relating thereto.

“Continuing Disclosure Agreement” means (A) with respect to the Initial Bonds, the Initial Continuing Disclosure Agreement and (B) with respect to any Series of Additional Bonds, any similar document executed by the Institution in connection with the issuance of such Series of Additional Bonds.

“Cost of the Project” means (A) with respect to the Initial Project, all those costs and items of expense relating thereto enumerated in Section 3.3(A) of the Loan Agreement incurred subsequent to the Inducement Date, including costs which the Institution incurred prior to the Inducement Date with respect to the Initial Project in anticipation of the issuance of the Initial Bonds and for which the Institution may be reimbursed from proceeds of the Initial Bonds pursuant to the provisions of the Initial Tax Regulatory Agreement, and (B) with respect to any Additional Project, all those costs and items of expense relating thereto enumerated in Section 3.3 of the Loan Agreement, including costs which the Institution incurred with respect to such Additional Project in anticipation of the issuance of the related Series of Additional Bonds and for which the Institution will be reimbursed from proceeds of the related Series of Additional Bonds pursuant to the provisions of the related Tax Documents.

“City Issuer” means City of Schenectady Industrial Development Agency.

“County Issuer” means Schenectady County Industrial Development Agency.

“Debt Service Payment” means, with respect to any Bond Payment Date, (A) the interest payable on the Bonds on such Bond Payment Date, plus (B) the principal, if any, payable on the Bonds on such Bond Payment Date, plus (C) the premium, if any, payable on the Bonds on such Bond Payment Date, plus (D) the Sinking Fund Payments, if any, payable on the Bonds on such Bond Payment Date.

“Default Interest Rate” means the rate of interest equal to Fifteen percent (15%) per annum, or the maximum permitted by law, whichever is less.

“Defaulted Payment” shall have the meaning ascribed to such term in Section 207(C) of the Indenture.

“Defeasance Cash Deposit” means (A) with respect to the Prior Series 2001 Bonds, the Series 2001 Defeasance Cash Deposit and (B) with respect to the Prior Series 2003 Bonds, the Series 2003 Defeasance Cash Deposit.

“Defeasance Escrow Agreement” means (A) with respect to the Prior Series 2001 Bonds, the Series 2001 Defeasance Escrow Agreement and (B) with respect to the Prior Series 2003 Bonds, the Series 2003 Defeasance Escrow Agreement.

“Defeasance Escrow Deposit” means (A) with respect to the Prior Series 2001 Bonds, the Series 2001 Defeasance Escrow Deposit and (B) with respect to the Prior Series 2003 Bonds, the Series 2003 Defeasance Escrow Deposit.

“Defeasance Obligations” means (A) cash, or (B) direct obligations of the United States of America or of any agency or instrumentality thereof when such obligations are backed by the full faith and credit of the United States, including, but not limited to, United States Treasury obligations.

“Depository” means, initially, 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 securities depository designated in any supplemental resolution of the Issuer to serve as securities depository for the Bonds that is a clearing agency under federal law operating and maintaining, with its participants or otherwise, a Book Entry System to record ownership of book entry interests in Bonds, and to effect transfers of book entry interests in Book Entry Bonds.

“Depository Letter” means (A) with respect to the Initial Bonds, the Initial Depository Letter, and (B) with respect to any Series of Additional Bonds issued as Book Entry Bonds, any letter of representations by and among the Issuer, the Trustee and the Depository relating to such Series of Additional Bonds, and any amendments or supplements thereto entered into with respect thereto.

“Direct Participant” means a Participant as defined in the Depository Letter.

“Equipment” means, collectively, the Initial Equipment and any Additional Equipment.

“Enabling Act” means Section 1411 of the Not-For-Profit Corporation Law of the State of New York, as amended.

“Event of Default” means (A) with respect to the Indenture, any of those events defined as an Event of Default by the terms of Article VI of the Indenture, (B) with respect to the Loan Agreement, any of those events defined as an Event of Default by the terms of Article X of the Loan Agreement, and (C) with respect to any other Financing Document, any of those events defined as an Event of Default by the terms thereof.

“Extraordinary Services” and “Extraordinary Expenses” means all reasonable services rendered and all reasonable expenses incurred by the Trustee or any paying agent under the Indenture, other than Ordinary Services and Ordinary Expenses, including, but not limited to, reasonable attorney’s fees and any services rendered and any expenses incurred with respect to an Event of Default or with respect to the occurrence of an event which upon the giving of notice or the passage of time would ripen into an Event of Default under any of the Financing Documents.

“Facility” means the Initial Facility and any Additional Facilities.

“Final Maturity” means, with respect to any particular Bond, the final Stated Maturity of the principal due on such Bond, unless such Bond is called for redemption in whole prior to such date, in which case any such term shall mean the Redemption Date relating to such Bond.

“Financing Documents” means (A) with respect to the Initial Bonds, the Initial Financing Documents and (B) with respect to any Series of Additional Bonds, any similar documents executed by the Institution and/or the Issuer in connection with the issuance of such Series of Additional Bonds.

“Financing Statements” means any and all financing statements (including continuation statements) or other instruments filed or recorded from time to time to perfect the security interests created in the Financing Documents.

“Fund” means any Fund designated and created pursuant to Section 401 of the Indenture.

“Government Obligations” means (A) cash, (B) direct obligations of the United States of America, (C) obligations unconditionally guaranteed by the United States of America and (D) securities or receipts evidencing ownership interests in obligations or specified portions (such as principal or interest) of obligations described in (B) or (C).

“Governmental Authority” means the United States of America, the State, any political subdivision thereof, any other state and any agency, department, commission, board, bureau or instrumentality of any of them.

“Gross Bond Proceeds” means, with respect to a Series of Bonds, “gross proceeds” as defined in Section 148(f)(6)(B) of the Code, presently including, without limitation, the original proceeds of such Series of Bonds, investment proceeds, amounts held in a sinking fund, amounts invested in a reasonably required reserve or replacement fund, certain investment-type property pledged as security for such Series of Bonds by the Institution or by the Issuer, amounts received with respect to the Loan Agreement relating to such Series of Bonds, any amounts used to pay Debt Service Payments on such Series of Bonds, and any amounts received as a result of investing any of the foregoing.

“Gross Proceeds” means one hundred percent (100%) of the proceeds of the transaction with respect to which such term is used, including, but not limited to, the settlement of any insurance claim or Condemnation award.

“Holder” or “holder”, when used with respect to a Bond, means Bondholder.

“Immediate Notice” means notice transmitted through a time-sharing terminal, if operative as between any two parties, or if not operative, same-day notice by telephone, telecopy or telex, followed by prompt written confirmation sent by overnight delivery.

“Indebtedness” means (A) the payment of the Debt Service Payments on the Bonds according to their tenor and effect, (B) all other payments due from the Institution or the Issuer to the Trustee pursuant to any Financing Document, (C) the performance and observance by the Issuer and the Institution of all of the covenants, agreements, representations and warranties made for the benefit of the Trustee pursuant to any Financing Document, (D) the monetary obligations of the Institution to the Issuer and its members,

directors, officers, agents, servants and employees under the Loan Agreement and the other Financing Documents, and (E) all interest, penalties and late charges accruing on any of the foregoing.

“Indemnified Parties” shall mean the Trustee, the Issuer, the Underwriter and the payee and holder of any Initial Bond.

“Indenture” means the trust indenture dated as of April 1, 2012 by and between the Issuer and the Trustee, as said trust indenture may be amended or supplemented from time to time.

“Independent Counsel” means an attorney or firm of attorneys duly admitted to practice law before the highest court of any state of the United States of America or in the District of Columbia and not a full-time employee of the Institution, the Issuer or the Trustee.

“Indirect Participant” means a Person utilizing the Book Entry System of the Depository by, directly or indirectly, clearing through or maintaining a custodial relationship with a Direct Participant.

“Inducement Date” means (A) with respect to the Initial Project, the date which is sixty (60) days prior to the earlier of (1) April 11, 2012 or (2) the date on which the Institution declared its official intent to reimburse expenditures made with respect to the Initial Project with proceeds of borrowed money, and (B) with respect to any Additional Project, the date which is sixty (60) days prior to the earlier of (1) the date on which the Issuer adopts an inducement resolution with respect to such Additional Project or (2) the date on which the Institution declares its official intent to reimburse expenditures made with respect to such Additional Project with proceeds of borrowed money.

“Initial Arbitrage Certificate” means the certificate dated the Closing Date for the Initial Bonds executed by the Issuer and relating to certain requirements set forth in Section 148 of the Code applicable to the Initial Bonds and the Initial Project.

“Initial Bond Purchase Agreement” means the bond purchase agreement dated April __, 2012 by and among the Underwriter, the Issuer and the Institution relating to the purchase of the Initial Bonds by the Underwriter, as said bond purchase agreement may be amended or supplemented from time to time.

“Initial Bond Resolution” means the resolution of the members of the board of directors of the Issuer duly adopted on April 11, 2012 authorizing the Issuer to undertake the Initial Project, to issue and sell the Initial Bonds and to execute and deliver the Initial Financing Documents to which the Issuer is a party.

“Initial Bonds” means the Issuer’s Tax-Exempt Revenue Bonds (Union College Refunding Project), Series 2012A in the aggregate principal amount of \$_____, issued pursuant to the Initial Bond Resolution and Article II of the Indenture and sold to the Underwriter pursuant to the provisions of the Initial Bond Purchase Agreement, in substantially the form attached to the Indenture as Schedule I thereto, and any Initial Bonds issued in exchange or substitution therefor.

“Initial Continuing Disclosure Agreement” means the continuing disclosure agreement dated as of April __, 2012 by and between the Institution and the Trustee relating to the Initial Bonds, as said continuing disclosure agreement may be amended or supplemented from time to time.

“Initial Depository Letter” means any letter of representations by and among the Issuer and the Depository relating to the Initial Bonds, and any amendments or supplements thereto entered into with respect thereto.

“Initial Equipment” means all materials, machinery, equipment, fixtures or furnishings acquired with the proceeds of the Prior Bonds being refunded with the proceeds of the Initial Bonds, or acquired with any payment which the Institution incurred in anticipation of the issuance of the Prior Bonds and for which the Institution was reimbursed from the proceeds of the Prior Bonds, and such substitutions and replacements therefor and additions thereto as may be made from time to time pursuant to the Loan Agreement, including, without limitation, all of the Property described in Exhibit B attached to the Loan Agreement.

“Initial Facility” means all buildings (or portions thereof), improvements, structures and other related facilities, and improvements thereto, (A) located on the Initial Land, (B) refinanced with the proceeds of the sale of the Initial Bonds or any payment made by the Institution pursuant to Section 3.5 of the Loan Agreement, and (C) not constituting a part of the Initial Equipment, all as they may exist from time to time.

“Initial Financing Documents” means the Initial Bonds, the Indenture, the Loan Agreement, the Pledge and Assignment, the Defeasance Escrow Agreements, the Initial Tax Documents, the Initial Underwriter Documents and any other document now or hereafter executed by the Issuer or the Institution in favor of the Holders of the Initial Bonds or the Trustee which affects the rights of the Holders of the Initial Bonds or the Trustee in or to the Initial Project Facility, in whole or in part, or which secures or guarantees any sum due under the Initial Bonds or any other Initial Financing Document, each as amended from time to time, and all documents related thereto and executed in connection therewith.

“Initial Land” means the real estate described on Exhibit A attached to the Loan Agreement, which is the site of the Initial Project.

“Initial Letter of Representation” means the letter of representation dated April __, 2012 by and among the Institution, the Issuer and the Underwriter, pursuant to which the Institution will provide indemnification to the Issuer and the Underwriter relating to the issuance and sale of the Initial Bonds.

“Initial Official Statement” means the official statement delivered in connection with the sale of the Initial Bonds by the Underwriter.

“Initial Preliminary Official Statement” means the preliminary official statement delivered in connection with the sale of the Initial Bonds by the Underwriter.

“Initial Project” shall have the meaning assigned to such term in the fourth recital clause to the Indenture and the Loan Agreement.

“Initial Project Facility” means, collectively, the Initial Land, the Initial Facility and the Initial Equipment.

“Initial Tax Documents” means, collectively, the Initial Arbitrage Certificate and the Initial Tax Regulatory Agreement.

“Initial Tax Regulatory Agreement” means the tax regulatory agreement dated the Closing Date for the Initial Bonds executed by the Institution in favor of the Issuer and the Trustee regarding, among other things, the restrictions prescribed by the Code in order for interest on the Initial Bonds to be and remain excludable from the gross income of the Holders thereof for federal income tax purposes.

“Initial Underwriter Documents” means the Initial Bond Purchase Agreement, the Initial Letter of Representation, the Initial Continuing Disclosure Agreement, the Initial Preliminary Official Statement, the Initial Official Statement and any other document now or hereafter executed by the Issuer or the Institution in connection with the sale of the Initial Bonds by the Underwriter.

“Institution” means The Trustees of Union College in the Town of Schenectady in the State of New York (a/k/a Union College), a not-for-profit education corporation organized and existing under the laws of the State of New York, and its successors and assigns, to the extent permitted by Section 8.4 of the Loan Agreement.

“Insurance and Condemnation Fund” means the fund so designated established pursuant to Section 401(A)(3) of the Indenture.

“Interest Payment Date” means (A) with respect to the Initial Bonds, January 1 and July 1 of each year, commencing July 1, 2012, and (B) with respect to any Additional Bonds, the Stated Maturity of each installment of interest on such Additional Bonds, as set forth in the supplemental Indenture authorizing the issuance of such Series of Additional Bonds. In any case, the final Interest Payment Date of any Series of the Bonds shall be the Maturity Date relating thereto.

“Issuer” means (A) Schenectady County Capital Resource Corporation and its successors and assigns, and (B) any public instrumentality or political subdivision resulting from or surviving any consolidation or merger to which Schenectady County Capital Resource Corporation or its successors or assigns may be a party.

“Land” means the Initial Land and any Additional Land.

“Letter of Representation” means the Initial Letter of Representation.

“Lien” means any interest in Property securing an obligation owed to a Person, whether such interest is based on the common law, statute or contract, and including but not limited to a security interest arising from a mortgage, security agreement, encumbrance, pledge, conditional sale or trust receipt or a lease, consignment or bailment for security purposes. The term “Lien” includes reservations, exceptions, encroachments, projections, easements, rights of way, covenants, conditions, restrictions, leases and other similar title exceptions and encumbrances, including but not limited to mechanics’, materialmen’s, warehousemen’s and carriers’ liens and other similar encumbrances affecting real property. For purposes hereof, a Person shall be deemed to be the owner of any Property which it has acquired or holds subject to a conditional sale agreement or other arrangement pursuant to which title to the Property has been retained by or vested in some other Person for security purposes.

“Loan” means the loan by the Issuer of the proceeds received from the sale of the Bonds to the Institution pursuant to the provisions of the Loan Agreement.

“Loan Agreement” means the loan agreement dated as of April 1, 2012 by and between the Issuer and the Institution, as said loan agreement may be amended or supplemented from time to time.

“Loan Payments” means the amounts required to be paid by the Institution pursuant to the provisions of Section 5.1 of the Loan Agreement.

“Maturity Date” means, with respect to any Bond, the final Stated Maturity of the principal of such Bond.

“Moody’s” means Moody’s Investors Service, Inc., a Delaware corporation, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Trustee, with the consent of the Institution.

“Net Proceeds” means so much of the Gross Proceeds with respect to which that term is used as remain after payment of all fees for services, expenses, costs and taxes (including attorneys’ fees) incurred in obtaining such Gross Proceeds.

“Nonexempt Entity” means any Person other than (A) a state or local governmental entity or (B) a Person described in Section 501(c)(3) of the Code which has been recognized in writing by the Internal Revenue Service as being exempt from taxation under Sections 501(a) and Section 501(c)(3) of the Code.

“Office of the Trustee” means the corporate trust office of the Trustee specified in Section 1103 of the Indenture, or such other address as the Trustee shall designate pursuant to Section 1103 of the Indenture.

“Official Statement” means (A) with respect to the Initial Bonds, the Initial Official Statement, and (B) with respect to any Series of Additional Bonds, any similar document approved by the Issuer and the Institution in connection with the sale by the Underwriter of the related Series of Additional Bonds.

“Optional Redemption Premium” means the premium payable upon an optional redemption of the Bonds, as determined pursuant to Section 301(B) of the Indenture.

“Ordinary Services” and “Ordinary Expenses” means those reasonable services normally rendered with those reasonable expenses, including reasonable attorneys’ fees, normally incurred by a trustee or a paying agent, as the case may be, under instruments similar to the Indenture.

“Outstanding” means, when used with reference to the Bonds as of any date, all Bonds which have been duly authenticated and delivered by the Trustee under the Indenture, except:

(A) Bonds theretofore cancelled or deemed cancelled by the Trustee or theretofore delivered to the Trustee for cancellation;

(B) Bonds for the payment or redemption of which moneys or Defeasance Obligations shall have been theretofore deposited with the Trustee (whether upon or prior to the maturity or Redemption Date of any such Bonds) in accordance with the Indenture (whether upon or prior to the maturity or Redemption Date of any such Bonds); provided that, if such Bonds are

to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to the Trustee shall have been made therefor, or waiver of such notice satisfactory in form and substance to the Trustee shall have been filed with the Trustee; and

(C) Bonds in lieu of or in substitution for which other Bonds have been authenticated and delivered under the Indenture.

In determining whether the Owners of a requisite aggregate principal amount of Bonds Outstanding have concurred in any request, demand, authorization, direction, notice, consent or waiver under the provisions hereof, Bonds which are held by or on behalf of the Institution (unless all of the outstanding Bonds are then owned by the Institution) shall be disregarded for the purpose of any such determination. If the Indenture shall be discharged pursuant to Article X of the Indenture, no Bonds shall be deemed to be Outstanding within the meaning of this definition.

“Owner” or “owner”, when used with respect to a Bond, means the Registered Owner of such Bond, except that wherever appropriate the term “Owner” shall mean the owner of such Bond for federal income tax purposes.

“Participant” shall have the meaning assigned to such term in Section 213(B) of the Indenture.

“Paying Agent” means the Trustee, acting as such, and any additional paying agent for the Bonds appointed pursuant to Article VII of the Indenture, their respective successors and any other corporation that may at any time be substituted in their respective places pursuant to the Indenture.

“Permitted Encumbrances” means (A) utility, access and other easements, rights of way, restrictions, encroachments and exceptions that benefit or do not materially impair the utility or the value of the Property affected thereby for the purposes for which it is intended, (B) mechanics’, materialmen’s, warehousemen’s, carriers’ and other similar Liens, (C) Liens for taxes, assessments and utility charges (1) to the extent permitted by Section 6.2(B) of the Loan Agreement, or (2) at the time not delinquent, (D) any Lien on the Project Facility obtained through any Financing Document, (E) any Lien on the Project Facility in favor of the Trustee, (F) any lease of the Project Facility permitted by the tax Documents, and (G) any Lien on the Project Facility approved or granted by the Institution.

“Person” means an individual, partnership, corporation, limited liability company, trust, unincorporated organization or Governmental Authority.

“Plans and Specifications” means, with respect to any Additional Project, (1) as to the Issuer, the description of such Additional Project appearing in the Issuer’s preliminary inducement resolution relating thereto, and (2) as to the Trustee, the plans and specifications for such Additional Project prepared by the Institution, and all amendments and modifications thereof made by approved change orders; and, if an item for the construction of the Additional Facility is not specifically detailed in the aforementioned plans and specifications, but rather is described by way of manufacturer’s or supplier’s or contractor’s shop drawings, catalog references or similar descriptions, the term also includes such shop drawings, catalog references and descriptions.

“Pledge and Assignment” means the pledge and assignment dated as of April 1, 2012 from the Issuer to the Trustee, and acknowledged by the Institution, pursuant to which the Issuer has assigned to

the Trustee its rights under the Loan Agreement (except the Unassigned Rights), as said pledge and assignment may be amended or supplemented from time to time.

“Predecessor Bonds” of any particular Bond means every previous Bond evidencing all or a portion of the same debt as that evidenced by such particular Bond; and, for purposes of this definition, any Bond authenticated and delivered under Section 205 of the Indenture in lieu of a lost, destroyed or stolen Bond shall be deemed to evidence the same debt as the lost, destroyed or stolen Bond.

“Preliminary Official Statement” means (A) with respect to the Initial Bonds, the Initial Preliminary Official Statement, and (B) with respect to any Series of Additional Bonds, any similar document approved by the Issuer and the Institution for use in connection with the issuance of the related Series of Additional Bonds.

“Principal Payment Date” means (A) with respect to the Initial Bonds, each Interest Payment Date on which a Sinking Fund Payment is due on the Bonds, and the Maturity Date of each of the Initial Bonds, and (B) with respect to any Additional Bonds, the Stated Maturity of each installment of principal due on such Additional Bonds.

“Prior Bonds” means, collectively, the Prior Series 2001 Bonds and the Prior Series 2003 Bonds.

“Prior Indenture” means (A) with respect to the Prior Series 2001 Bonds, the Series 2001 Indenture and (B) with respect to the Prior Series 2003 Bonds, the Series 2003 Indenture.

“Prior Issuer” means (A) with respect to the Prior Series 2001 Bonds, the County Issuer and (B) with respect to the Prior Series 2003 Bonds, the City Issuer.

“Prior Series 2001 Bonds” means the Tax-Exempt Civic Facility Revenue Bonds (Union College Project), Series 2001A in the original aggregate principal amount of \$32,720,000 issued on or about December 20, 2001 by the County Issuer.

“Prior Series 2003 Bonds” means the Civic Facility Insured Revenue Bonds (Union College Project), Series 2003A in the original aggregate principal amount of \$16,415,000 issued on or about November 13, 2003 by the City Issuer.

“Prior Trustee” means (A) with respect to the Prior Series 2001 Bonds, the Series 2001 Trustee and (B) with respect to the Prior Series 2003 Bonds, the Series 2003 Trustee.

“Project” means (A) with respect to the Initial Bonds, the Initial Project, and (B) with respect to any Series of Additional Bonds, the Additional Project with respect to which such Series of Additional Bonds were issued.

“Project Costs” means Costs of the Project.

“Project Facility” means, collectively, the Initial Project Facility and all Additional Project Facilities.

“Project Fund” means the fund so designated established pursuant to Section 401(A)(1) of the Indenture.

“Property” means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

“Rating Agency” means Moody’s, if the Bonds are rated by Moody’s at the time, and Standard & Poor’s, if the Bonds are rated by Standard & Poor’s at the time, and their successors and assigns.

“Rebate Amount” shall have the meaning assigned to such term in the Tax Documents.

“Rebate Fund” means the fund so designated established pursuant to Section 401(A)(4) of the Indenture.

“Rebate Fund Earnings Account” means the special account so designated within the Rebate Fund established pursuant to Section 401(A)(4)(b) of the Indenture.

“Rebate Fund Principal Account” means the account so designated within the Rebate Fund established pursuant to Section 401(A)(4)(a) of the Indenture.

“Record Date” means either a Regular Record Date or a Special Record Date.

“Redemption Date” means, when used with respect to a Bond, the date upon which a Bond is scheduled to be redeemed pursuant to the Indenture.

“Redemption Price” means, when used with respect to a Bond, the principal amount thereof plus the applicable premium, if any, payable upon the prior redemption thereof pursuant to the provisions of the Indenture and such Bond.

“Regular Record Date” means, with respect to the interest and any Sinking Fund Payment or principal payment due on the Bonds on or prior to maturity payable on any Bond on any Interest Payment Date, the fifteenth (15th) day (whether or not a Business Day) of the calendar month preceding the calendar month in which such Interest Payment Date occurs.

“Request for Disbursement” means a request from the Institution, as agent of the Issuer, signed by an Authorized Representative of the Institution, stating the amount of the disbursement sought and containing the statements, representations and other items required by Article IV of the Indenture and by Section 3.3 of the Loan Agreement, which Request for Disbursement shall be in substantially the form of Exhibit A attached to the Indenture.

“Requirement” or “Local Requirement” means any law, ordinance, order, rule or regulation of a Governmental Authority.

“Securities Laws” means the Securities Act of 1933, as amended, and all other securities laws of the United States of America or the State to the extent that such laws may now or hereafter be applicable to or affect the issuance, sale and delivery of the Bonds and any transfer or resale thereof.

“SEQRA” means Article 8 of the Environmental Conservation Law of the State and the statewide and local regulations thereunder.

“Series” or “Series of Bonds” means all of the Bonds of a single series authenticated and delivered pursuant to the Indenture.

“Series 2001 Bond Fund” means the “Bond Fund”, as defined in the Series 2001 Indenture.

“Series 2001 Defeasance Cash Deposit” means an amount certified by the Verification Agent in the Series 2001 Verification Report as the cash deposit needed to be made by the Institution with the Series 2001 Trustee so that the sum of the Series 2001 Reserve Funds and the Series 2001 Defeasance Cash Deposit shall equal the Series 2001 Defeasance Escrow Deposit.

“Series 2001 Defeasance Escrow Agreement” means the defeasance escrow agreement dated as of April 1, 2012 among the County Issuer, the Series 2001 Trustee and the Institution, pursuant to which, among other things, an escrow deposit will be made with the Series 2001 Trustee, in an amount sufficient to enable the Series 2001 Trustee to defease the Prior Series 2001 Bonds in full.

“Series 2001 Defeasance Escrow Deposit” means an amount of Defeasance Obligations acquired with a combination of proceeds of the Series 2001 Reserve Funds and the Series 2001 Defeasance Cash Deposit in an amount equal to the amount certified by the Verification Agent in the Series 2001 Verification Report pursuant to the provisions of Section 1001 of the Series 2001 Indenture as the amount of Defeasance Obligations needed to be on deposit with the Series 2001 Trustee sufficient to enable the Series 2001 Trustee to redeem the Prior Series 2001 Bonds in full (i.e., an amount sufficient, without the need for future investment or reinvestment, but including any scheduled interest on or increment to such obligations, to pay when due the principal, premium, if any, and interest due and to become due on the Prior Series 2001 Bonds on and prior to date that the Prior Series 2001 Bonds shall be redeemed).

“Series 2001 Indenture” means the trust indenture dated as of December 1, 2001 between the County Issuer and the Series 2001 Trustee, pursuant to which the Prior Series 2001 Bonds were issued.

“Series 2001 Insurance and Condemnation Fund” means the “Insurance and Condemnation Fund”, as defined in the Series 2001 Indenture.

“Series 2001 Project” shall have the meaning assigned to such term in the fourth recital clause to the Indenture and the Loan Agreement.

“Series 2001 Project Facility” shall have the meaning assigned to such term in the fourth recital clause to the Indenture and the Loan Agreement.

“Series 2001 Project Fund” means the “Project Fund”, as defined in the Series 2001 Indenture.

“Series 2001 Reserve Funds” means, collectively, funds on deposit in the Series 2001 Bond Fund, the Series 2001 Insurance and Condemnation Fund and the Series 2001 Project Fund.

“Series 2001 Trustee” means Manufacturers and Traders Trust Company, as trustee under the Series 2001 Indenture.

“Series 2001 Verification Report” means the verification report prepared by the Verification Agent respecting the defeasance of the Prior Series 2001 Bonds.

“Series 2003 Bond Fund” means the “Bond Fund”, as defined in the Series 2003 Indenture.

“Series 2003 Defeasance Cash Deposit” means an amount certified by the Verification Agent in the Series 2003 Verification Report as the cash deposit needed to be made by the Institution with the Series 2003 Trustee so that the sum of the Series 2003 Reserve Funds and the Series 2003 Defeasance Cash Deposit shall equal the Series 2003 Defeasance Escrow Deposit.

“Series 2003 Defeasance Escrow Agreement” means the defeasance escrow agreement dated as of April 1, 2012 among the City Issuer, the Series 2003 Trustee and the Institution, pursuant to which, among other things, an escrow deposit will be made with the Series 2003 Trustee, in an amount sufficient to enable the Series 2003 Trustee to defease the Prior Series 2003 Bonds in full.

“Series 2003 Defeasance Escrow Deposit” means an amount of Defeasance Obligations acquired with a combination of proceeds of the Series 2003 Reserve Funds and the Series 2003 Defeasance Cash Deposit in an amount equal to the amount certified by the Verification Agent in the Series 2003 Verification Report pursuant to the provisions of Section 1001 of the Series 2003 Indenture as the amount of Defeasance Obligations needed to be on deposit with the Series 2003 Trustee sufficient to enable the Series 2003 Trustee to redeem the Prior Series 2003 Bonds in full (i.e., an amount sufficient, without the need for future investment or reinvestment, but including any scheduled interest on or increment to such obligations, to pay when due the principal, premium, if any, and interest due and to become due on the Prior Series 2003 Bonds on and prior to date that the Prior Series 2003 Bonds shall be redeemed).

Series 2003 Indenture” means the trust indenture dated as of November 1, 2003 between the City Issuer and the Series 2003 Trustee, pursuant to which the Prior Series 2003 Bonds were issued.

“Series 2003 Insurance and Condemnation Fund” means the “Insurance and Condemnation Fund”, as defined in the Series 2003 Indenture.

“Series 2003 Project” shall have the meaning assigned to such term in the fourth recital clause to the Indenture and the Loan Agreement.

“Series 2003 Project Facility” shall have the meaning assigned to such term in the fourth recital clause to the Indenture and the Loan Agreement.

“Series 2003 Project Fund” means the “Project Fund”, as defined in the Series 2003 Indenture.

“Series 2003 Reserve Funds” means, collectively, funds on deposit in the Series 2003 Bond Fund, the Series 2003 Insurance and Condemnation Fund and the Series 2003 Project Fund.

“Series 2003 Trustee” means Manufacturers and Traders Trust Company, as trustee under the Series 2003 Indenture.

“Series 2003 Verification Report” means the verification report prepared by the Verification Agent respecting the defeasance of the Prior Series 2003 Bonds.

“Series 2012A Project Account” means the account so designated within the Project Fund established pursuant to Section 401(A)(1)(a) of the Indenture.

“Sinking Fund Payments” means (A) with respect to the Initial Bonds, the sinking fund redemption payments due on the Initial Bonds pursuant to Section 301(C) of the Indenture and (B) with respect to any Additional Bonds, the sinking fund redemption payments (if any) required pursuant to the supplemental Indenture authorizing issuance of such Additional Bonds.

“Special Record Date” means a date for the payment of any Defaulted Payment on the Bonds fixed by the Trustee pursuant to Section 207(C) of the Indenture.

“Standard & Poor’s” means Standard & Poor’s Ratings Services, a division of the McGraw-Hill Companies, Inc., and its successors and assigns, and, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Standard & Poor’s” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Trustee, with the consent of the Institution.

“State” means the State of New York.

“Stated Maturity” means, when used with respect to any Bond or any installment of interest thereon, the date specified in such Bond as the fixed date on which the principal of such Bond or such installment of interest on such Bond is due and payable.

“Substantial User” means any Person constituting a “substantial user” within the meaning ascribed to such term in Section 147(a) of the Code.

“Supplemental Indenture” means any indenture supplemental to or amendatory of the Indenture executed by the Issuer in accordance with Article VIII of the Indenture.

“Tax Documents” means, collectively, (A) with respect to the Initial Bonds, the Initial Tax Documents and (B) with respect to any Series of Additional Bonds intended to be issued as Tax-Exempt Bonds, any similar documents executed by the Issuer and/or the Institution in connection with the issuance of such Series of Additional Bonds.

“Tax-Exempt Bond” means any Bond issued as an obligation of the Issuer, the interest on which is intended to be excluded from the gross income of the Holder thereof for federal income tax purposes pursuant to Section 103 and Section 145 of the Code, including but not limited to the Initial Bonds.

“Tax Regulatory Agreement” means (A) with respect to the Initial Bonds, the Initial Tax Regulatory Agreement and (B) with respect to any Series of Additional Bonds intended to be issued as Tax-Exempt Bonds, any similar document executed by the Institution in connection with the issuance and sale of such Series of Additional Bonds.

“Term Bonds” means Bonds having a single stated maturity for which Sinking Fund Installments are specified in Section 301(C) of the Indenture (or, if such Bonds are Additional Bonds, in the supplemental indenture authorizing the issuance of such Bonds).

“Termination of Loan Agreement” means a termination of Loan Agreement by and between the Institution, as borrower, and the Issuer, as lender, intended to evidence the termination of the Loan Agreement, substantially in the form attached as Exhibit C to the Loan Agreement.

“Trust Estate” means all Property which may from time to time be subject to a Lien in favor of the Trustee created by the Indenture or any other Financing Document.

“Trust Revenues” means (A) all payments of loan payments made or to be made by or on behalf of the Institution under the Loan Agreement (except payments made with respect to the Unassigned Rights), (B) all other amounts pledged to the Trustee by the Issuer or the Institution to secure the Bonds or performance of their respective obligations under the Loan Agreement and the Indenture, (C) the Net Proceeds (except proceeds with respect to the Unassigned Rights) of insurance settlements and Condemnation awards with respect to the Project Facility, (D) moneys and investments held from time to time in each fund and account established under the Indenture and all investment income thereon, except (1) moneys and investments held in the Rebate Fund, (2) moneys deposited with or paid to the Trustee for the redemption of Bonds, notice of the redemption of which has been duly given, (3) unclaimed funds held under Section 408 of the Indenture, and (4) as specifically otherwise provided, and (E) all other moneys received or held by the Trustee for the benefit of the Bondholders pursuant to the Indenture. Notwithstanding anything to the contrary, amounts held in the Rebate Fund shall not be considered Trust Revenues and shall not be subject to the Lien of the Indenture, and amounts held therein shall not secure any amount payable on the Bonds.

“Trustee” means Manufacturers and Traders Trust Company, a banking corporation organized and existing under the laws of the State of New York, or any successor trustee or co-trustee acting as trustee under the Indenture.

“Unassigned Rights” means (A) the rights of the Issuer granted pursuant to Sections 2.2, 3.1, 3.2, 3.3, 3.8, 4.4, 5.1(B)(2), 5.1(C), 6.1, 6.2, 6.3, 6.4, 6.5, 7.1, 7.2, 8.1, 8.2, 8.3, 8.4, 8.5, 8.6, 8.7, 8.8, 8.9, 8.11, 8.14, 8.16, 8.17, 8.18, 9.1, 9.2, 11.1, 11.4, 11.8 and 11.10 of the Loan Agreement, (B) the moneys due and to become due to the Issuer for its own account or the members, directors, officers, agents (other than the Institution), servants and employees of the Issuer for their own account pursuant to Sections 2.2, 5.1(B)(2), 5.1(C), 6.4(B), 8.2, 10.2 and 10.4 of the Loan Agreement, and (C) the right to enforce the foregoing pursuant to Article X of the Loan Agreement. Notwithstanding the preceding sentence, to the extent the obligations of the Institution under the Sections of the Loan Agreement listed in (A), (B) and (C) above do not relate to the payment of moneys to the Issuer for its own account or to the members, officers, directors, agents (other than the Institution), servants and employees of the Issuer for their own account, such obligations, upon assignment of the Loan Agreement by the Issuer to the Trustee pursuant to the Pledge and Assignment, shall be deemed to and shall constitute obligations of the Institution to the Issuer and the Trustee, jointly and severally, and either the Issuer or the Trustee may commence an action to enforce the Institution’s obligations under the Loan Agreement.

“Underwriter” means (A) with respect to the Initial Bonds, RBC Capital Markets, LLC , as underwriter and original purchaser of the Initial Bonds on the Closing Date relating thereto, and (B) with respect to any Series of Additional Bonds, the original purchaser of such Series of Additional Bonds on the Closing Date relating thereto.

“Underwriter Documents” means, collectively, (A) with respect to the Initial Bonds, the Initial Underwriter Documents and (B) with respect to any Additional Bonds, any similar documents executed by the Issuer and/or the Institution in connection with the issuance of such Additional Bonds.

“Verification Agent” means the firm of independent certified public accountants retained by the Institution to verify the minimum size of the respective Defeasance Cash Deposits needed to be made in order to defease and redeem each Series of the Prior Bonds in full.

“Verification Report” means (A) with respect to the Prior Series 2001 Bonds, the Series 2001 Verification Report and (B) with respect to the Prior Series 2003 Bonds, the Series 2003 Verification Report.

“Yield”, when used with respect to the Initial Bonds, shall have the meaning assigned to such term in the Initial Tax Regulatory Agreement.

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following summarizes certain provisions of the Indenture to which reference is made for the detailed provisions thereof. Certain provisions of the Indenture are also described in the Official Statement under the captions “INTRODUCTION”, “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” and “THE BONDS”.

The Bonds will be issued under and secured by the Indenture. Reference is made to the Indenture for complete details of the terms thereof. The following is a brief summary of certain provisions of the Indenture and should not be considered a full statement thereof.

Restriction on Issuance of Bonds *(Section 201)*

Except for substitute Bonds and Additional Bonds issued pursuant to the Indenture, the total aggregate principal amount of Bonds that may be issued under the Indenture is expressly limited to \$_____.

Limited Obligations *(Section 202)*

The Bonds, together with the premium, if any, and interest thereon, will be limited obligations of the Issuer payable, with respect to the Issuer, solely from the Trust Revenues, which Trust Revenues are pledged and assigned for the equal and ratable payment of all sums due under the Bonds, and will be used for no other purpose than to pay the principal of, premium, if any, on and interest on the Bonds, except as may be otherwise expressly provided in the Indenture.

THE BONDS ARE NOT AND SHALL NOT BE A DEBT OF THE STATE OF NEW YORK OR OF SCHENECTADY COUNTY, NEW YORK AND NEITHER THE STATE OF NEW YORK NOR SCHENECTADY COUNTY, NEW YORK SHALL BE LIABLE THEREON. THE BONDS DO NOT GIVE RISE TO A PECUNIARY LIABILITY OR CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE STATE OF NEW YORK OR SCHENECTADY COUNTY, NEW YORK.

No recourse shall be had for the payment of the principal of, or the premium, if any, or interest on, any Bond or for any claim based thereon or on the Indenture against any past, present or future member, officer, employee or agent (other than the Institution), as such, of the Issuer or of any predecessor or successor corporation, either directly or through the Issuer or otherwise, whether by virtue

of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise.

Delivery of Initial Bonds (Section 210)

Upon the execution and delivery of the Indenture, the Issuer will execute and deliver the Initial Bonds (including a reasonable number of additional Initial Bonds to be retained by the Trustee for authentication and delivery upon transfer or exchange of any Initial Bond) to the Trustee, and the Trustee will authenticate and deliver the Initial Bonds to the purchasers thereof against payment of the purchase price therefor, plus accrued interest to the day preceding the date of delivery, upon receipt by the Trustee of the following:

- (1) a certified copy of the Initial Bond Resolution;
- (2) executed counterparts of the Indenture, the Loan Agreement and the other Initial Financing Documents;
- (3) a request and authorization to the Trustee on behalf of the Issuer signed by an Authorized Representative of the Issuer to deliver the Initial Bonds to or upon the order of the Underwriter upon payment to the Trustee for the account of the Issuer of the purchase price therefor specified in such request and authorization;
- (4) signed copies of the opinions of counsel to the Issuer, the Institution and the Trustee, and of Bond Counsel, as required by the Initial Bond Purchase Agreement;
- (5) the certificates and policies, if available, of the insurance required by the Loan Agreement;
- (6) evidence that a completed Internal Revenue Service Form 8038 with respect to the Initial Bonds has been signed by the Issuer; and
- (7) such other documents as the Trustee or Bond Counsel may reasonably require.

Additional Bonds (Section 214)

So long as the Loan Agreement is in full force and effect and no Event of Default exists thereunder or under the Indenture (and no event exists which, upon notice or lapse of time or both, would become an Event of Default thereunder or under the Indenture), the Issuer may, upon a request from the Institution complying with the provisions of the Indenture, issue one or more series of Additional Bonds to provide funds to pay any one or more of the following: (1) costs of completion of the Project Facility in excess of the amount in the Project Fund; (2) costs of any Additional Project; (3) costs of refunding or advance refunding any or all of the Bonds previously issued; (4) costs of making any modifications, additions or improvements to the Project Facility that the Institution may deem necessary or desirable; (5) providing funds in excess of Net Proceeds to repair, relocate, replace, rebuild or restore the Project Facility in the event of damage, destruction or taking by eminent domain; and/or (6) costs of the issuance and sale of the Additional Bonds, capitalized interest, funding debt service reserves, and other costs reasonably related to any of the foregoing. Additional Bonds may mature at different times, bear interest

at different rates and otherwise vary from the Initial Bonds authorized under the Indenture, all as may be provided in the supplemental Indenture authorizing the issuance of such Additional Bonds.

Prior to the execution of a supplemental Indenture authorizing the issuance of Additional Bonds, the Issuer must deliver certain documents set forth in the Indenture to the Trustee, including:

(1) (a) an amendment to the Loan Agreement which shall provide, among other things, that the basic Loan Payments payable under the Loan Agreement shall be increased and computed so as to at least equal to the sum of the total Debt Service Payments due on the Initial Bonds and all Additional Bonds and all other costs in connection with the Project, the Project Facility and all Additional Projects covered thereby;

(2) evidence that the Financing Documents, as amended or supplemented in connection with the issuance of the Additional Bonds, provide that (a) the Bonds referred to therein shall mean and include the Additional Bonds being issued as well as the Initial Bonds originally issued under the Indenture and any Additional Bonds theretofore issued, and (b) the Project Facility referred to in the Financing Documents includes any Additional Facilities being financed;

(3) a copy of the resolution of the board of trustees of the Institution, duly certified by the secretary or assistant secretary of the Institution, which approves the issuance of the Additional Bonds and authorizes the execution and delivery by the Institution of the amendments to the Financing Documents described in paragraphs (1) and (2) above;

(4) a written opinion of counsel to the Institution which shall state that (i) the amendments and supplements to the Financing Documents described in paragraphs (1) and (2) above have been duly authorized, executed and delivered by the Institution, (ii) the Financing Documents, as amended and supplemented to the Closing Date for such Additional Bonds, constitute legal, valid and binding obligations of the Institution enforceable against the Institution in accordance with their respective terms, subject to the standard exceptions with respect to bankruptcy laws, equitable remedies and specific performance, and (iii) all conditions precedent provided for in the Indenture to the issuance, execution and delivery of the Additional Bonds have been complied with;

(5) a copy of the resolution of the members of the board of directors of the Issuer, duly certified by the secretary or assistant secretary of the Issuer, authorizing the issuance of the Additional Bonds and the execution and delivery by the Issuer of the amendments to the Financing Documents described in paragraph (1) and paragraph (2) above to be executed by the Issuer in connection therewith;

(6) an opinion of counsel to the Issuer stating that the amendments and supplements to the Financing Documents described above have been duly authorized and lawfully executed and delivered on behalf of the Issuer; and that such amendments and supplements to the Financing Documents are in full force and effect and are valid and binding upon the Issuer, subject to the standard exceptions with respect to bankruptcy laws, equitable remedies and specific performance;

(7) an opinion of Bond Counsel stating that, in the opinion of such Bond Counsel, the Issuer is duly authorized and entitled to issue such Additional Bonds and that, upon the execution, authentication and delivery thereof, such Additional Bonds will be duly and validly issued and will constitute valid and binding special obligations of the Issuer, enforceable in accordance with their terms, subject to the standard exceptions with respect to bankruptcy laws, equitable remedies and specific performance; that the issuance of the Additional Bonds will not, in and of itself, adversely affect the validity of the Initial Bonds originally issued under the Indenture or any Additional Bonds theretofore issued or the exclusion of the interest payable on the Initial Bonds and any Additional Bonds theretofore issued as Tax-Exempt Bonds from the gross income of the Holders thereof for federal income tax purposes; and that all conditions precedent provided for in the Indenture to the issuance, execution and delivery of the Additional Bonds have been complied with;

(8) a written order to the Trustee executed by an Authorized Representative of the Issuer requesting that the Trustee authenticate and deliver the Additional Bonds to the purchasers therein identified; and

(9) such other documents as the Trustee may reasonably request.

Each series of Additional Bonds shall be equally and ratably secured under the Indenture with the Initial Bonds issued on the Closing Date and with all other series of Additional Bonds, if any, previously issued under the Indenture, without preference, priority or distinction of any Bond over any other Bond.

The consent of the Holders of the Bonds shall not be required prior to the issuance of Additional Bonds, or to the execution and delivery of any amendments to the Financing Documents required in connection therewith. The Institution shall provide to the Trustee the following: (1) a notice of the proposed issuance of such series of Additional Bonds; and (2) a proposed form of notice to be sent to the Holders of the Bonds and each Rating Agency, if any, by which the Bonds are then rated of the proposed issuance of the Additional Bonds (a "Notice to Holders"), detailing, at least, the aggregate principal amount of such Additional Bonds, and summarizing the nature of the amendments to the Financing Documents proposed to be executed in connection therewith. Within five Business Days of receipt of the foregoing, the Trustee shall mail the Notice to Holders to the Holders of the Bonds and each Rating Agency, if any, by which the Bonds are then rated of the proposed issuance of the Additional Bonds.

Establishment of Funds (Section 401)

The Indenture creates four trust funds (and various accounts therein) to be held by the Trustee: (1) the Project Fund and, within the Project Fund, the following special accounts: (a) the Series 2012A Project Account; and (b) an additional, separate account for each series of Additional Bonds, each such additional account to be known as the "Series ____ Project Account", with the blank to be filled in with the same series designation as borne by the related series of Additional Bonds; (2) the Bond Fund; (3) the Insurance and Condemnation Fund; and (4) the Rebate Fund, and, within the Rebate Fund, the following special accounts: (a) the Rebate Fund Principal Account and (b) the Rebate Fund Earnings Account.

All moneys required to be deposited with or paid to the Trustee under any provision of the Indenture (1) shall be held by the Trustee in trust, and (2) (except for moneys held by the Trustee (a) for the redemption of Bonds, notice of redemption of which has been duly given, (b) as unclaimed monies under Section 408 of the Indenture or (c) in the Rebate Fund) shall, while held by the Trustee, constitute

part of the Trust Revenues and be subject to the Lien of the Indenture. Moneys which have been deposited with, paid to or received by the Trustee for the redemption of a portion of the Bonds or for the payment of Bonds or interest thereon due and payable otherwise than upon acceleration by declaration, shall be held in trust for and be subject to a Lien in favor of only the Holders of such Bonds so redeemed or so due and payable.

Moneys held in the Rebate Fund shall not be subject to a security interest, pledge, assignment, Lien or charge in favor of the Trustee or any other Person.

Application of Proceeds of Initial Bonds (Section 402)

The Issuer shall deposit with the Trustee all of the proceeds from the sale of the Initial Bonds, including accrued interest payable on the Initial Bonds. The Trustee shall deposit the proceeds from the sale of the Initial Bonds as follows: (1) the Trustee shall deposit the portion of the proceeds of the sale of the Initial Bonds representing accrued interest on the Initial Bonds, if any, into the Bond Fund; and (2) the Trustee shall deposit the remainder of the proceeds of the sale of the Initial Bonds into the Series 2012A Project Account of the Project Fund.

The proceeds of any Additional Bonds shall be deposited as provided in the supplement to the Indenture authorizing the issuance of such Additional Bonds.

Transfers of Trust Revenues to Funds (Section 403)

Commencing on the first date on which Loan Payments are received from the Institution pursuant to Section 5.1(A) of the Loan Agreement, and thereafter, the Trustee shall deposit such payments, upon the receipt thereof, into the Bond Fund, as provided in Section 405(A) of the Indenture. The Net Proceeds of any insurance settlement or Condemnation award received by the Trustee shall, upon receipt thereof, be deposited into the Insurance and Condemnation Fund.

The Project Fund (Section 404)

In addition to moneys deposited in the Project Fund from the proceeds of the sale of the Bonds, there shall be deposited into the Project Fund all other moneys received by the Trustee under or pursuant to the Indenture or the other Financing Documents which, by the terms thereof, are to be deposited in the Project Fund. Moneys on deposit in the Series 2012A Project Account of the Project Fund with respect to the Initial Bonds will be disbursed and be applied by the Trustee to pay the Costs of the Project relating to the Initial Project pursuant to the provisions of the Loan Agreement, the Indenture and the Initial Tax Regulatory Agreement. Moneys on deposit in the Project Fund with respect to the Additional Bonds shall be disbursed in accordance with the provisions of the supplemental Indenture authorizing issuance of such Additional Bonds.

On the Closing Date relating to the Initial Bonds, or as soon thereafter as is practicable, following execution and delivery of the Series 2001 Defeasance Escrow Agreement, the Trustee shall pay to the Series 2001 Trustee, from the moneys on deposit in the Project Fund, an amount equal to the Series 2001 Defeasance Cash Deposit. Pursuant to the provisions of the Series 2001 Defeasance Escrow Agreement, the Series 2001 Defeasance Cash Deposit shall become part of the Series 2001 Defeasance Escrow Deposit, and the Series 2001 Defeasance Escrow Deposit shall be held by the Series 2001 Trustee pursuant to the Series 2001 Defeasance Escrow Agreement and applied to pay debt service coming due on

the Series 2001 Bonds and to redeem the Series 2001 Bonds within ninety (90) days of the issuance of the Initial Bonds.

On the Closing Date relating to the Initial Bonds, or as soon thereafter as practicable following execution and delivery of the Series 2003 Defeasance Escrow Agreement, the Trustee shall pay to the Series 2003 Trustee, from the moneys on deposit in the Project Fund, an amount equal to the Series 2003 Defeasance Cash Deposit. Pursuant to the provisions of the Series 2003 Defeasance Escrow Agreement, the Series 2003 Defeasance Cash Deposit shall become part of the Series 2003 Defeasance Escrow Deposit, and the Series 2003 Defeasance Escrow Deposit shall be held by the Series 2003 Trustee pursuant to the Series 2003 Defeasance Escrow Agreement and applied to pay debt service coming due on the Series 2003 Bonds and to redeem the Series 2003 Bonds on the earliest possible optional redemption date relating to the Series 2003 Bonds following the date of the issuance of the Initial Bonds.

The Trustee is authorized and directed to disburse the balance of the moneys from the Project Fund relating to the Initial Bonds within thirty (30) days of the issuance of the Initial Bonds upon receipt by the Trustee of a Request for Disbursement, certified to by an Authorized Representative of the Institution in accordance with the applicable provisions of the Indenture and the Loan Agreement and the Initial Tax Regulatory Agreement.

Moneys on deposit in the Project Fund may be invested in Authorized Investments in accordance with the provisions of the Indenture. All interest and other income accrued and earned on amounts held in the Project Fund shall be deposited by the Trustee into the appropriate account of the Project Fund related to such monies and may be used to pay the Costs of the Project related to such account.

Except for any amount retained for the payment of incurred and unpaid items of the Cost of the Project, after the Completion Date related to a particular Project, all moneys in the related account in the Project Fund (in excess of any amount required to be transferred to the Rebate Fund pursuant to the Indenture and the Tax Documents) shall be transferred from the Project Fund to the bond Fund or an escrow fund to be created by the Trustee at the written direction of the Institution, to be applied to the defeasance of a portion of the Bonds then Outstanding pursuant to the provisions of the Tax Documents.

In the event the unpaid principal amount of the Bonds is accelerated upon the occurrence of an Event of Default, the balance in the Project Fund (in excess of any amount required to be transferred to the Rebate Fund pursuant to the Indenture and the Tax Documents) will be transferred from the Project Fund to the Bond Fund as soon as possible and will be used to pay the principal of, premium, if any, on and interest on the Bonds.

The Trustee shall maintain adequate records pertaining to the Project Fund and all disbursements therefrom and, upon request of the Issuer or the Institution, shall file an accounting thereof with the Issuer and the Institution.

The Bond Fund (Section 405)

In addition to the moneys deposited into the Bond Fund (1) from the proceeds of the sale of the Bonds pursuant to Section 402 of the Indenture and (2) pursuant to Sections 403, 404 and 410 of the Indenture, there shall be deposited into the Bond Fund(a) all Loan Payments received from the Institution under Section 5.1(A) of the the Loan Agreement (except payments made with respect to the Unassigned Rights, which shall be paid to the Issuer), (b) any amount in the Insurance and Condemnation Fund

directed to be paid into the Bond Fund under Section 406 of the Indenture, (c) any amounts received from the Institution pursuant to Section 3.6 of the Loan Agreement, (d) all prepayments by the Institution in accordance with Section 5.3 of the Loan Agreement in connection with which notice has been given to the Trustee pursuant to Section 302 of the Indenture, and (e) all other moneys received by the Trustee under and pursuant to the Indenture or the other Financing Documents which by the terms thereof are to be deposited into the Bond Fund, or are accompanied by directions from the Institution or the Issuer that such moneys are to be paid into the Bond Fund.

Moneys on deposit in the Bond Fund may be invested in Authorized Investments in accordance with the provisions of the Indenture. All interest and other income accrued and earned on moneys on deposit in the Bond Fund will be retained in in the Bond Fund.

The Insurance and Condemnation Fund (Section 406)

The Net Proceeds resulting from any insurance settlement or Condemnation award received by the Trustee in connection with damage to or destruction of or the taking of part or all of the Project Facility, together with any other amounts so required to be deposited therein under the Loan Agreement, shall be deposited into the Insurance and Condemnation Fund.

If, pursuant to the Loan Agreement, following damage to or Condemnation of all or a portion of the Project Facility, (1) the Institution exercises its option not to repair, rebuild or restore the Project Facility and to provide for the defeasance and/or redemption of the Bonds, or (2) if a taking in Condemnation as described in Section 7.2(C) of the Loan Agreement occurs, the Trustee shall (after any transfer to the Rebate Fund required pursuant to the Indenture and the Tax Documents is made) transfer all moneys held in the Insurance and Condemnation Fund to an escrow fund to be created by the Trustee at the written direction of the Institution, to be applied to the defeasance and/or redemption of the Bonds then Outstanding pursuant to the provisions of the Tax Documents, except as provided in Section 410 of the Indenture.

If, following damage to or Condemnation of all or a portion of the Project Facility, the Institution elects to repair, rebuild or restore the Project Facility, and provided no Event of Default under the Indenture or under any other Financing Document has occurred and is continuing, moneys held in the Insurance and Condemnation Fund and attributable to the damage to or the destruction or taking of the Project Facility (after any transfer to the Rebate Fund required by the Indenture and the Tax Documents is made) will be applied to pay the costs of such repairs, rebuilding or restoration in accordance with the Indenture.

If the cost of the repairs, rebuilding or restoration of the Project Facility effected by the Institution shall be less than the amount in the Insurance and Condemnation Fund, then on the completion of such repairs, rebuilding or restoration, the Trustee shall transfer such difference to the Bond Fund and use such amounts so transferred to provide for the defeasance of the Bonds in accordance with the Tax Documents; provided that such amounts may be transferred to the Institution for its purposes if (1) the Institution so requests and (2) the Institution furnishes to the Trustee an opinion of Bond Counsel to the effect that payment of such moneys to the Institution will not, in and of itself, adversely affect the exclusion of the interest paid or payable on the Tax-Exempt Bonds from gross income for federal income tax purposes.

The Rebate Fund (Section 407)

The Trustee shall make information regarding the Bonds and investments under the Indenture available to the Institution. If a deposit to the Rebate Fund is required as a result of the computations made or caused to be made by the Institution, the Trustee shall upon receipt of written direction from the Institution accept such payment for the benefit of the Institution. If amounts in excess of that required to be rebated to the United States of America accumulate in the Rebate Fund, the Trustee shall upon written direction from the Authorized Representative of the Institution transfer such amount to the Institution. Records of the determinations required by Section 407 of the Indenture and the instructions must be retained by the Trustee until six years after the Tax-Exempt Bonds are no longer outstanding. Any provision of the Indenture to the contrary notwithstanding, amounts credited to the Rebate Fund shall be free and clear of any lien under the Indenture.

The Trustee, upon the receipt of a certification of the Rebate Amount from an Authorized Representative of the Institution, shall deposit in the Rebate Fund Principal Account, within thirty (30) days after the end of each Bond Year commencing with the first Bond Year, an amount such that the amount held in the Rebate Fund Principal Account after such deposit is equal to the Rebate Amount calculated as of the last day of the prior Bond Year and so certified to the Trustee. If there has been delivered to the Trustee a certification of the Rebate Amount in conjunction with the completion or restoration of the Project Facility pursuant to the Loan Agreement or the Indenture at any time during a Bond Year, the Trustee will deposit in the Rebate Fund Principal Account upon receipt of such certification an amount such that the amount held in the Rebate Fund Principal Account after such deposit is equal to the Rebate Amount calculated on the Completion Date or at the time of restoration of the Project Facility, as the case may be. The amount to be deposited in the Rebate Fund shall be withdrawn from the fund or funds established under the Indenture designated by the Institution or from other moneys made available by the Institution.

In the event that on the first day of any Bond Year, after the calculation of the Rebate Amount, the amount on deposit in the Rebate Fund Principal Account with respect to a Series of Tax-Exempt Bonds exceeds the Rebate Amount with respect to such Series of Tax-Exempt Bonds, the Trustee, upon the receipt of written instructions from an Authorized Representative of the Issuer or the Institution, shall withdraw such excess amount and (1), prior to the Completion Date, shall transfer such excess to the Project Fund to be applied to the payment of Costs of the Project related to such Series of Tax-Exempt Bonds or (2), after the Completion Date, shall transfer such excess to the Bond Fund to be applied to the payment of the principal and interest and Sinking Fund Payments coming due on such Series of Tax-Exempt Bonds on the next following Bond Payment Date.

The Trustee, upon the receipt of written instructions satisfactory to the Trustee from an Authorized Representative of the Institution, shall pay to the United States, from amounts on deposit in the Rebate Fund or from other moneys supplied by the Institution, (1) not less frequently than once every five (5) years after the date of original issuance of a Series of Tax-Exempt Bonds (or such other date as the Institution may choose, provided the Institution and the Trustee receive an opinion of Bond Counsel that such change will not cause interest on such Series of Tax-Exempt Bonds to be included in gross income for federal income tax purposes) and every five years thereafter until final retirement of such Series of Tax-Exempt Bonds, an amount such that, together with prior amounts paid to the United States, the total amount paid to the United States is equal to ninety percent (90%) of the Rebate Amount with respect to such Series of Tax-Exempt Bonds as of the date of such payment plus all amounts then held in the Rebate Fund Earnings Account with respect to such Series of Tax-Exempt Bonds, and (2) not later

than thirty (30) days after the date on which all Bonds of any particular Series of Tax-Exempt Bonds have been paid in full, one hundred percent (100%) of the Rebate Amount with respect to such Series of Tax-Exempt Bonds as of the date of such payment plus all amounts relating thereto then held in the Rebate Fund Earnings Account with respect to such Series of Tax-Exempt Bonds.

The foregoing described provisions of the Indenture may be amended, without notice to or consent of the Bondholders, at the request of the Issuer or the Institution, to comply with the applicable regulations of the Treasury Department, upon the delivery by the Issuer or the Institution to the Trustee of an opinion of Bond Counsel that such amendment will not, in and of itself, adversely affect the exclusion from gross income for federal income tax purposes of the interest payable on the Tax-Exempt Bonds which exists on the Closing Date.

Non-Presentation of Bonds (Section 408)

Subject to the provisions of the Indenture, in the event any Bond shall not be presented for payment when the principal thereof becomes due, either at maturity or at the date fixed for redemption thereof or otherwise, or in the event any interest payment on a Bond shall be unclaimed, if moneys sufficient to pay such Bond or interest shall have been deposited with the Trustee for the benefit of the Holder thereof, such Bond shall be deemed cancelled, redeemed or retired on such date even if not presented on such date or such interest shall be deemed paid, as the case may be, and all liability of the Issuer to the Holder thereof for the payment of such Bond or interest shall forthwith cease, terminate and be completely discharged; and thereupon it shall be the duty of the Trustee to hold such funds, without liability for interest thereon, for the benefit of the Holder of such Bond or interest thereon who shall thereafter be restricted exclusively to such funds for any claim of whatever nature on his part under the Indenture or with respect to such Bond or interest.

Subject to any law to the contrary, if any Bond shall not be presented for payment or any interest payment shall not be claimed prior to the earlier of (1) two years following the date when such Bond or interest becomes due, either at maturity or at the date fixed for redemption or otherwise, or (2) the Business Day prior to the date on which such moneys would escheat to the State, the Trustee shall, upon written request of the Institution, return to the Institution all funds held by the Trustee for the payment of such Bond or interest. Thereafter, (a) the Owner of such Bond shall be entitled to look only to the Institution for payment of such Bond or interest, and then only to the extent of the amount so repaid to the Institution, who shall not be liable for any interest thereon and shall not be regarded as a trustee of such money, (b) all liability of the Trustee with respect to such moneys shall terminate, and (c) such Bond shall, subject to the defense of any applicable statute of limitations, thereafter be an unsecured obligation of the Institution.

Final Disposition of Moneys (Section 410)

In the event there are no Bonds Outstanding, and subject to any applicable law to the contrary, after payment of all fees, charges and expenses, including, but not limited to reasonable attorney's fees, of the Issuer and the Trustee and all other amounts required to be paid under the Indenture and under the other Financing Documents and after payment of any amounts required to be rebated to the United States under the Indenture and under the Tax Documents or any provision of the Code, all amounts remaining in any fund established under the Indenture shall be transferred to the Institution (except amounts held with respect to the Unassigned Rights, which amounts shall be paid to the Issuer, and except for moneys held for the payment or redemption of Bonds which have matured or been defeased or notice of the

redemption of which has been duly given and any other monies held under Section 408, which shall be held for the benefit of the Owners of such Bonds).

No Modification of Security; Limitation on Liens (Section 508)

The Issuer covenants that it will not alter, modify or cancel, or agree to alter, modify or cancel, the Loan Agreement or any other Financing Document to which the Issuer is a party, or which has been assigned to the Issuer, and which relates to or affects the security for the Bonds, except as contemplated by the Indenture or pursuant to the terms of such document. The Issuer further covenants that, except for the Financing Documents and other Permitted Encumbrances, the Issuer will not incur, or suffer to be incurred, any mortgage, Lien, charge or encumbrance on or pledge of any of the Trust Estate prior to or on a parity with the Lien of the Indenture.

Covenant Against Arbitrage Bonds (Section 513)

So long as any Tax-Exempt Bonds shall be Outstanding, the Issuer covenants that it will not use or direct or permit the use of the proceeds of the Tax-Exempt Bonds or any other moneys in its control (including, without limitation, the proceeds of any insurance settlement or Condemnation award with respect to the Project Facility) in such manner as would cause any of the Tax-Exempt Bonds to be an "arbitrage bond" within the meaning of such quoted term in Section 148 of the Code. The Issuer shall not be responsible for the calculation or payment of any rebate amount required by Section 148 of the Code. The Trustee shall not be responsible for the calculation, or the payment from its own funds, of any amount required to be rebated to the United States under Section 148 of the Code. The Trustee shall, however, make such transfers to the Rebate Fund and pay such amounts from the funds and accounts created hereunder and from the Institution's funds to the United States as the Institution, in accordance with the Indenture and the Tax Documents, shall direct.

Events of Default and Remedies on Default (Section 601)

The Indenture provides that each of the following events will constitute an Event of Default under the Indenture:

- (1) failure by the Issuer to make due and punctual payment of the interest or premium on any Bond or failure by the Issuer to make due and punctual payment of the principal of any Bond, whether at the Stated Maturity thereof, or upon proceedings for the redemption thereof, or upon the maturity thereof by declaration;
- (2) subject to any right to waive the same as set forth in the Financing Documents, receipt by the Trustee of notice, or actual notice on the part of the Trustee with respect to Events of Default under Section 601(A) of the Indenture, of the occurrence of an Event of Default under any of the other Financing Documents; or
- (3) subject to the provisions of the Indenture, default in the performance or observance of any other covenant, agreement or condition on the part of the Issuer in the Indenture or in any Bond to be performed or observed and the continuance thereof for a period of thirty (30) days after written notice thereof is given to the Issuer and the Institution by the Trustee or by the Holders of at least fifty-one percent (51%) in aggregate principal amount of the Bonds then Outstanding.

Before taking any action under the Indenture (except declaring an Event of Default, a mandatory redemption or an acceleration of the Bonds pursuant to the Indenture), the Trustee may require that a security and indemnity reasonably satisfactory to it be deposited with it for the reimbursement of all fees, costs and expenses including, but not limited to, reasonable attorney's fees to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its gross negligence or willful misconduct by reason of any action so taken.

Acceleration (Section 602)

Upon (A) the occurrence of an Event of Default under paragraph (1) of the first paragraph under the caption "Events of Default" herein, the Trustee may, and upon the written request of the Holders of not less than fifty one percent (51%) in aggregate principal amount of Bonds then Outstanding, the Trustee shall, and (B) the occurrence and continuance of an Event of Default under paragraphs (2) or (3) of the first paragraph under the caption "Events of Default" herein and so long as such Event of Default is continuing, the Trustee may, and upon the written request of the Holders of not less than fifty-one percent (51%) in aggregate principal amount of Bonds then Outstanding, the Trustee shall, by notice in writing delivered to the Institution, with a copy of such notice being sent to the Issuer, declare the entire principal amount of all Bonds then Outstanding and the interest accrued thereon to be immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable. Upon any such declaration, the Trustee shall immediately declare an amount equal to all amounts then due and payable on the Bonds to be immediately due and payable under the Loan Agreement.

Enforcement Of Remedies (Section 603)

Upon the occurrence and during the continuance of any Event of Default, the Trustee shall exercise such of the rights and powers vested in the Trustee by the Indenture and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of his own affairs. In considering what actions are or are not prudent in the circumstances, the Trustee shall consider whether or not to take such action as may be permitted to be taken by the Trustee under any of the Financing Documents.

Upon the occurrence and during the continuance of any Event of Default, the Trustee may proceed forthwith to protect and enforce its rights under the Act, the Loan Agreement and the other Financing Documents by such suits, actions or proceedings as the Trustee, being advised by Independent Counsel, shall deem expedient.

Upon the occurrence and during the continuance of any Event of Default, the Trustee may pursue any available remedy at law or in equity by suit, action, mandamus or other proceeding to enforce payment of and receive any amounts due or becoming due from the Issuer or the Institution under any of the provisions of the Indenture, the Loan Agreement and the other Financing Documents, without prejudice to any other right or remedy of the Trustee or the Bondholders. The Trustee may sue for, enforce payment of and receive any amounts due or becoming due from the Institution for principal, premium, interest or otherwise under any of the provisions of the Indenture or the other Financing Documents, without prejudice to any other right or remedy of the Trustee.

Regardless of the happening of an Event of Default, the Trustee may, and upon (A) the written request of the Holders of not less than fifty one percent (51%) in aggregate principal amount of Bonds

then Outstanding and (B) upon receipt by the Trustee of such security or indemnity as the Trustee may require to hold the Trustee harmless from such action, the Trustee shall, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient to prevent any impairment of the security under the Indenture and the other Financing Documents by any acts which may be unlawful or in violation of the Indenture or of any other Financing Document or of any resolution authorizing the Bonds, or to preserve or protect the interest of the Trustee and/or the Bondholders.

Rights of Bondholders to Direct Proceedings (Section 607)

The Holders of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right at any time, by an instrument in writing executed and delivered to the Trustee and upon offering the Trustee the security and indemnity provided for in the Indenture, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, the Loan Agreement or the other Financing Documents, or for the appointment of a receiver or any other proceedings hereunder, provided that such direction, in the opinion of Independent Counsel, is in accordance with the provisions of law and is not unduly prejudicial to the interests of the Bondholders not joining such direction.

Application of Moneys (Section 609)

All moneys received by the Trustee pursuant to any right given or action taken under the default and remedy provisions of the Indenture shall, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the fees, expenses, liabilities and advances (including reasonable attorneys' fees) incurred or made by the Trustee, be deposited into the Bond Fund; and all moneys in the Bond Fund shall be applied, together with the other moneys held by the Trustee under the Indenture (other than amounts on deposit in the Rebate Fund and unclaimed funds held pursuant to Section 408 of the Indenture), as follows:

(1) Unless the principal of all the Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied:

FIRST - to the payment to the Persons entitled thereto of all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or privilege;

SECOND - to the payment to the Persons entitled thereto of the unpaid principal of and any premium on the Bonds (other than Bonds called for redemption for the payment of which moneys shall be held pursuant to the provisions of the Indenture) which shall have become due, in order of their maturities, with interest from the date upon which they became due and, if the amount available shall not be sufficient to pay in full the principal of and premium, if any, and interest on the Bonds due on any particular date, then to the payment ratably, according to amounts due respectively for principal, interest and premium, if any, to the Persons entitled thereto, without any discrimination or privilege; and

THIRD - to the payment to the Persons entitled thereto of the principal of, premium, if any, on, or interest on the Bonds which may thereafter become due and payable, and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with interest and premium, if any, then due and owing thereon, payment shall be made ratably according to the amount of interest, principal and premium, if any, due on such date to the Persons entitled thereto, without any discrimination or privilege.

(2) If the principal of all the Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal, premium, if any, and interest then due and unpaid upon the Bonds, without preference or priority of principal and premium over interest or of interest over principal and premium, or of any installment of interest over any other installment of interest, or of any Bonds over any other Bonds, ratably, according to the amounts due respectively for principal, premium, if any, and interest, to the Persons entitled thereto without any discrimination or privilege.

Whenever moneys are to be applied pursuant to the provisions of item (1) of the preceding paragraph, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for such application and the likelihood of additional moneys becoming available in the future. Whenever moneys are to be applied pursuant to the provisions of item (2) of the preceding paragraph, such moneys shall be applied as soon as practicable upon receipt thereof. In either case, the Trustee shall give such notice as the Trustee may deem appropriate of the deposit with the Trustee of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Holder of any Bond until such Bond shall be presented to the Trustee and a new Bond is issued or the Bond is canceled if fully paid.

Notice of Defaults; Opportunity to Cure (Section 614)

Anything in the Indenture to the contrary notwithstanding, no Event of Default described in paragraph (2) or paragraph (3) under the caption "SUMMARY OF THE INDENTURE - Events of Default and Remedies on Default" will constitute an Event of Default until the Trustee shall have received written notice thereof or, with respect to Events of Default under Section 601(A) of the Indenture, shall have actual notice thereof and until actual notice of such default by registered or certified mail is given by the Trustee or by the Holders of not less than fifty-one percent (51%) of the aggregate principal amount of Bonds then Outstanding to the Issuer and the Institution (with a copy to the Trustee if given by the Holders), and the Issuer and the Institution have had thirty (30) days after receipt of such notice to correct such default or cause said default to be corrected, and have not done so within the applicable period; provided, however, if said default be such that it cannot be corrected within the applicable period, it shall not constitute an Event of Default if corrective action is instituted by the Issuer or the Institution within the applicable period and diligently pursued until the default is corrected.

Acceptance of the Trusts (Section 701)

The Trustee accepts the trusts imposed upon it by the Indenture and agrees to perform said trusts upon certain terms and conditions, including but not limited to the following:

The Trustee may execute any of the trusts or powers of the Indenture and perform any of its duties under the Indenture by or through attorneys, agents, receivers or employees, but shall not be

answerable for the conduct of the same if appointed without gross negligence, and shall be entitled to advice of counsel concerning all matters of the trusts of the Indenture and the duties under the Indenture, and may in all cases pay such reasonable compensation to all such attorneys, agents, receivers and employees as may be reasonably employed in connection with the trusts of the Indenture. The Trustee may act, without gross negligence, upon the opinion or advice of any attorney appointed, who may be the attorney or attorneys for the Issuer, and shall not be responsible for any loss or damage resulting from any action or nonaction in reliance upon any such opinion or advice.

The Trustee may become the Owner of Bonds secured by the Indenture with the same rights which it would have if not the Trustee. In addition, any national banking association, bank or trust company acting as a Trustee, Registrar or Paying Agent, and its directors, officers, employees or agents, may in good faith buy, sell, own, hold and deal in any of the Bonds, and may join in any action which any Bondholder may be entitled to take with like effect as if such association, bank or trust company were not such Trustee, Registrar or Paying Agent.

Before taking any action under the Indenture (except declaring an Event of Default, a mandatory redemption or an acceleration of the Bonds pursuant to the Indenture), the Trustee may require that a security and indemnity reasonably satisfactory to it be deposited with it for the reimbursement of all fees, costs and expenses including, but not limited to, reasonable attorney's fees and expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its gross negligence or willful misconduct by reason of any action so taken.

The Trustee shall not be required to take notice or be deemed to have notice of the occurrence of any Event of Default other than an Event of Default under paragraph (1) under the caption "SUMMARY OF THE INDENTURE - Events of Default and Remedies on Default" above, unless the Trustee shall have actual knowledge of an Event of Default under Section 601(A) of the Indenture or unless the Trustee shall be specifically notified in writing of such Event of Default by the Issuer, the Institution or the Owners of at least fifty-one percent (51%) in aggregate principal amount of Bonds Outstanding under the Indenture, and all notices or other instruments required by the Indenture to be delivered to the Trustee must, in order to be effective, be delivered at the Office of the Trustee, and, in the absence of such notice so delivered, the Trustee may conclusively assume there is no Event of Default, except as aforesaid.

Appointment of Successor Trustee by the Bondholders; Temporary Trustee (Section 708)

In case the Trustee under the Indenture shall resign or be removed, or be dissolved, or shall be in course of dissolution or liquidation, or otherwise become incapable of acting under the Indenture, or in case it shall be taken under the control of any public officer or officers, or of a receiver appointed by a court, a successor may be appointed by the Owners of a majority in aggregate principal amount of Bonds then Outstanding, by an instrument or concurrent instruments in writing signed by such Owners, or by their duly authorized attorneys; provided, nevertheless, that in case of vacancy, the Issuer (at the written direction of the Institution) by an instrument executed and signed by the Chairman or Vice Chairman and attested by the Secretary or Assistant Secretary of the Issuer under its seal, may appoint a temporary Trustee to fill such vacancy until a successor Trustee shall be appointed by such Bondholders in the manner above provided; and any such temporary Trustee so appointed by the Issuer (at the written direction of the Institution) shall immediately and without further act be superseded by the Trustee so appointed by such Bondholders.

Every such successor or temporary Trustee appointed pursuant to the provisions of the paragraph above shall (1) be a trust Institution or bank organized under the laws of the United States of America or any state thereof and which is in good standing, (2) be located within or outside the State, (3) be duly authorized to exercise trust powers in the State, (4) be subject to examination by a federal or state authority, and (5) maintain a reported capital and surplus of not less than \$20,000,000 (or a combined capital and surplus in excess of \$5,000,000 and the obligations of which, whether now in existence or hereafter incurred, are fully guaranteed by a corporation organized and doing business under the laws of the United States, and State or Territory thereof or of the District of Columbia, that has a combined capital and surplus of at least \$50,000,000), if there be one able and willing to accept the trust on reasonable and customary terms.

Supplemental Indentures not Requiring Consent of Bondholders (Section 801)

The Issuer and the Trustee, without the consent of or notice to any of the Bondholders, may enter into an indenture or indentures supplemental to the Indenture and not inconsistent with the terms and provisions hereof or, in the sole judgment of the Trustee, materially adverse to the interests of the Trustee or the Holders of the Bonds, for any one or more of the following purposes:

- (1) to cure any ambiguity, inconsistency or formal defect or omission in the Indenture;
- (2) to grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondholders or the Trustee or any of them;
- (3) to subject additional rights and revenues to the Lien of the Indenture, or to identify more precisely the Trust Estate;
- (4) to obtain or maintain a rating on the Bonds from Moody's or Standard & Poor's;
- (5) to comply with the provisions of the Code necessary to maintain the exclusion of interest on the Tax-Exempt Bonds from gross income for federal income tax purposes;
- (6) to modify, amend or supplement the Indenture or any indenture supplemental to the Indenture in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939 or any similar Federal statute hereafter in effect or under any state Blue Sky Law;
- (7) to enable the issuance of Additional Bonds;
- (8) to permit the Bonds to be converted to certificated securities to be held by the registered owners thereof; or
- (9) for any other purpose not materially adverse to the interests of the Holders of the Bonds.

Supplemental Indentures Requiring Consent of Bondholders (Section 802)

Other supplemental indentures modifying the Indenture may be approved by the Holders of not less than two-thirds (2/3) in aggregate principal amount of the Bonds Outstanding; provided that no supplemental indenture is permitted which would permit (1) without the consent of the Holder of such Bond, (a) a reduction in the rate, or extension of the time of payment, of interest on any Bond, (b) a reduction of any premium payable on the redemption of any Bond, or an extension of time for such payment, or (c) a reduction in the principal amount payable on any Bond, or an extension of time in which the principal amount of any Bond is payable, whether at the stated or declared maturity or redemption thereof, (2) the creation of any Lien prior to or on a parity with the Lien of the Indenture (other than that parity Lien created to secure the Additional Bonds), (3) a reduction in the aforesaid aggregate principal amount of Bonds, the Holders of which are required to consent to any such supplemental indenture, without the consent of the Holders of all the Bonds at the time Outstanding which would be affected by the action to be taken, (4) the modification of the rights, duties or immunities of the Trustee, without the written consent of the Trustee, or (5) a privilege or priority of any Bond or Bonds over any other Bond or Bonds.

Supplemental Indentures; Consent of the Institution (Section 803)

Supplemental indentures which affect the rights or liabilities of the Institution under the Indenture require the consent of the Institution.

Amendment to the Loan Agreement or other Financing Documents not Requiring Consent of Bondholders (Section 901)

The Issuer, the Institution and the Trustee may, without the consent of or notice to the Bondholders, consent to any amendment, change or modification of the Loan Agreement or any other Financing Document (other than the Indenture) as may be required (1) by the provisions of any Financing Document, (2) for the purpose of curing any ambiguity, inconsistency or formal defect therein or omission therefrom, (3) so as to identify more precisely the Project Facility, (4) in connection with any supplemental indenture Section 801 of the Indenture, or to effect any purpose for which there could be a supplemental indenture pursuant to Section 801 of the Indenture, (5) to obtain or maintain a rating on the Bonds from Moody's or Standard & Poor's, (6) to permit the issuance of Additional Bonds, (7) to comply with the provisions of the Code necessary to maintain the exclusion of interest on the Tax-Exempt Bonds from gross income for federal income tax purposes, or (8) in connection with any other supplemental indenture, but only if any such amendment, change or modification, in the sole judgment of the Trustee, is not materially adverse to the interests of the Trustee or the Bondholders.

Amendments to Loan Agreement or other Financing Documents Requiring Consent of Bondholders (Section 902)

Except for the amendments, changes or modifications as provided under the above caption, neither the Issuer, the Institution nor the Trustee shall consent to any other amendment, change or modification of the Loan Agreement or any other Financing Document (other than the Indenture) without mailing notice thereof to, and obtaining the written approval or consent thereto of, the Holders of not less than two-thirds in aggregate principal amount of the Bonds at the time Outstanding given as provided in the Indenture.

Discharge of Lien (Section 1001)

If the Issuer (1) shall pay or cause to be paid, to the Holders and Owners of the Bonds, the principal of the Bonds and premium, if any, due on the Bonds, at the times and in the manner stipulated therein and in the Indenture, (2) shall pay or cause to be paid from any source, to the Holders and Owners of the Bonds, the interest to become due on the Bonds, at the times and in the manner stipulated therein and in the Indenture, (3) shall have paid all fees, costs and expenses including, but not limited to, reasonable attorney's fees of the Trustee and each paying agent, (4) shall pay or cause to be paid the entire Rebate Amount to the United States in accordance with the Tax Documents and the Indenture, and (5) shall cause to be delivered an opinion of Independent Counsel stating that all conditions precedent with respect to the satisfaction and discharge of the Indenture have been met, then the Indenture and the trust and rights thereby granted will cease, terminate and be void, and thereupon the Trustee will (a) cancel and discharge the Lien of the Indenture upon the Trust Estate and the Trustee's rights under the other Financing Documents and execute and deliver to the Issuer such instruments in writing as shall be requisite to satisfy same, (b) reconvey to the Issuer the Loan Agreement and the trust conveyed by the Indenture, and (c) assign and deliver to the Institution any interest in Property at the time subject to the Lien of the Indenture and the other Financing Documents which may then be in its possession, except amounts held by the Trustee for the payment of principal of, and the interest and premium, if any, on, the Bonds.

All Outstanding Bonds will, prior to the maturity or Redemption Date thereof, be deemed to have been paid if, under circumstances which, in the opinion of Bond Counsel, do not adversely affect the exclusion of interest on the Tax-Exempt Bonds from gross income for federal income tax purposes, the following conditions have been fulfilled: (1) in case any of the Bonds are to be redeemed prior to their maturity, the Institution shall have given to the Trustee in form satisfactory to it irrevocable instructions to give notice of redemption of such Bonds on said date as provided in the Indenture; and (2) there is on deposit with the Trustee moneys, which shall be either cash or Defeasance Obligations, in an amount sufficient, without the need for further investment or reinvestment, but including any scheduled interest on or increment to such obligations, to pay when due the principal, premium, if any, and interest due and to become due on the Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and to pay the Trustee for its Ordinary Services and Ordinary Expenses and for its Extraordinary Services and Extraordinary Expenses.

The Trustee may rely upon an opinion of an Accountant as to the sufficiency of the cash or such Defeasance Obligations on deposit.

Limitations on Issuer Liability (Section 1109)

The obligations and agreements of the Issuer contained in the Indenture or in any other document executed by the Issuer in connection therewith shall (A) be deemed obligations and agreements of the Issuer, and not of any member, officer, agent or employee of the Issuer in his or her individual capacity, (B) not be an obligation of the State of New York or of Schenectady County, New York, and (C) be limited obligations of the Issuer, payable solely from the revenues of the Issuer derived from the Loan Agreement (except for revenues derived by the Issuer with respect to the Unassigned Rights).

SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

Pursuant to the Loan Agreement, the Issuer will make the Loan to the Institution of the proceeds of the Initial Bonds for the purpose of assisting in financing the Initial Project. Reference is made to the Loan Agreement for complete details of the terms thereof. The following is a brief summary of certain provisions of the Loan Agreement and should not be considered a full statement thereof.

Representations, Warranties and Covenants of the Issuer (Section 2.1)

The Issuer will make the following representations, warranties and covenants, among others:

(1) The Issuer is duly established under the provisions of the Enabling Act and has the power to enter into the Loan Agreement and to carry out the obligations thereunder. By proper official action, the Issuer has been duly authorized to execute, deliver and perform the Loan Agreement and the other Financing Documents to which the Issuer is a party.

(2) Subject to the limitations contained in the Loan Agreement, so long as the Bonds shall be Outstanding, the Issuer will not take any action (or omit to take any action required by the Financing Documents or which the Trustee or the Institution, together with Bond Counsel, advise the Issuer in writing should be taken), or allow any action to be taken, which action (or omission) would in any way (a) cause the proceeds from the sale of the Bonds to be applied in a manner contrary to that provided in the Financing Documents, or (b) adversely affect the exclusion of the interest paid or payable on any Tax-Exempt Bond from gross income for federal income tax purposes. Notwithstanding the foregoing, there shall be no such obligation upon the Issuer with respect to the use or investment of its administrative fee, provided, however, that if the Institution is required to rebate any amount with respect to such administrative fee, the Issuer shall provide, upon the reasonable request of the Institution, such information concerning the investment of such administrative fee as shall be requested by the Institution and as shall be reasonably available to the Issuer.

Representations and Covenants of the Institution (Section 2.2)

The Institution makes the following representations and covenants, among others:

(1) The Institution is a not-for-profit education corporation duly organized and validly existing under the laws of the State of New York, is duly authorized to do business in the State, has the power to enter into the Loan Agreement and the other Financing Documents to which the Institution is a party and to carry out its obligations thereunder, has been duly authorized to execute the Loan Agreement and the other Financing Documents to which the Institution is a party, and is qualified to do business in all jurisdictions in which its operations or ownership of Properties so require. The Loan Agreement and the other Financing Documents to which the Institution is a party, and the transactions contemplated thereby, have been duly authorized by all necessary action on the part of the board of trustees of the Institution.

(2) The Institution will not take any action (or omit to take any action required by the Financing Documents or which the Trustee or the Issuer, together with Bond Counsel, advise the

Institution in writing should be taken), or allow any action to be taken, which action (or omission) would in any way (a) adversely affect the exclusion of the interest paid or payable on the Tax-Exempt Bonds from gross income for federal income tax purposes, or (b) cause the proceeds of the Bonds to be applied in a manner contrary to that provided in the Financing Documents.

(3) The Project Facility and the operation thereof will comply in all material respects with all Applicable Laws, and the Institution will defend and save the Issuer and its members, directors, officers, agents, servants and employees harmless from all fines and penalties due to failure to comply therewith. The Institution shall cause all notices required by all Applicable Laws to be given, and shall comply or cause compliance with all Applicable Laws, and the Institution will defend and save the Issuer and its officers, members, agents, directors and employees harmless from all fines and penalties due to failure to comply therewith.

(4) All of the proceeds of the Initial Bonds shall be used to pay the costs of the Initial Project, and the total cost of the Initial Project is expected to at least equal \$ _____.

(5) The Institution will comply with all of the terms, conditions and provisions of the Tax Regulatory Agreement. All of the representations, certifications, statements of reasonable expectation and covenants made by the Institution in the Tax Regulatory Agreement are hereby declared to be for the benefit of, among others, the Issuer and are incorporated in the Loan Agreement as though set forth in full therein.

(6) The Institution represents that (a) the Institution is an organization described in Section 501(c)(3) of the Code, or corresponding provisions of prior law; (b) the Institution has received a letter or other notification from the Internal Revenue Service to that effect; (c) such letter or other notification has not been modified, limited or revoked; (d) the Institution is in compliance with all terms, conditions and limitations, if any, contained in such letter or other notification; (e) the facts and circumstances which form the basis of such letter or other notification as represented to the Internal Revenue Service continue to exist; and (f) the Institution is exempt from federal income taxes under Section 501(a) of the Code. The Institution agrees that it shall not perform any act or enter into any agreement which shall adversely affect such federal income tax status and shall conduct its operations in a manner which will conform to the standards necessary to qualify the Institution as a charitable organization within the meaning of Section 501(c)(3) of the Code or any successor provision of federal income tax law.

Covenant with Trustee, Bondholders (Section 2.3)

The Issuer and the Institution agree that the Loan Agreement is executed in part to induce the purchase of the Bonds by the Holders and Beneficial Owners from time to time of the Bonds. Accordingly, all representations, covenants and agreements on the part of the Issuer and the Institution set forth in the Loan Agreement (other than the Unassigned Rights) are declared to be for the benefit of the Issuer, the Trustee and the Holders and Beneficial Owners from time to time of the Bonds.

Acquisition, Construction, Reconstruction and Installation of the Project Facility (Section 3.1)

The Institution has previously undertaken and completed the acquisition, construction, reconstruction and installation of the Series 2001 Project Facility, all in accordance with the "Plans and Specifications" (as defined in the Series 2001 Indenture). The Institution is the owner of the Series 2001

Project Facility for federal income tax purposes, and the Series 2001 Project Facility is used and will be used by the Institution in activities which do not constitute an “unrelated trade or business” within the meaning of Section 513(a) of the Code. The proceeds of the Prior Series 2001 Bonds have been expended to fund the costs of the Series 2001 Project.

The Institution has also previously undertaken and completed the acquisition, construction, reconstruction and installation of the Series 2003 Project Facility, all in accordance with the “Plans and Specifications” (as defined in the Series 2003 Indenture). The Institution is the owner of the Series 2003 Project Facility for federal income tax purposes, and the Series 2003 Project Facility is used and will be used by the Institution in activities which do not constitute an “unrelated trade or business” within the meaning of Section 513(a) of the Code. The proceeds of the Prior Series 2003 Bonds have been expended to fund the costs of the Series 2003 Project.

Issuance of the Initial Bonds; Loan of the Proceeds Thereof (Section 3.2)

In order to make the Loan for the purposes of financing a portion of the Cost of the Project relating to the Initial Project, together with other costs and incidental expenses in connection therewith, the Issuer agrees that it will use its best efforts to (a) issue and deliver the Initial Bonds in the aggregate principal amount of \$_____ and (b) cause the Initial Bonds to be delivered to the Underwriter as original purchaser of the Initial Bonds, all as provided in the Initial Bond Resolution, the Certificate of Determination, the Initial Bond Purchase Agreement and the Indenture.

As provided in the Indenture, the proceeds from the sale of the Initial Bonds shall be loaned by the Issuer to the Institution and paid as follows: (1) a sum equal to any accrued interest, if any, paid by the Underwriter as original purchaser shall be deposited by the Issuer with the Trustee and deposited by the Trustee into the Bond Fund, and (2) the balance of the proceeds from the sale of the Bonds shall be deposited by the Issuer with the Trustee and deposited by the Trustee into the Project Fund. As provided in the Indenture, the Trustee will advance the proceeds of the sale of the Initial Bonds to the Institution in accordance with the provisions of the Indenture. Pending disbursement pursuant to the provisions of the Loan Agreement and the Indenture, the proceeds of the Initial Bonds deposited in accordance with the provisions of the Indenture, together with any investment earnings thereon, shall constitute a part of the Trust Estate assigned by the Issuer to the payment of Debt Service Payments as provided in the Indenture.

Application of Proceeds of the Initial Bonds (Section 3.3)

The portion of the proceeds of the sale of the Initial Bonds on deposit in the Project Fund will be deposited by the Issuer with the Trustee as provided in the Indenture.

Pursuant to the Indenture, the Trustee has been instructed to enter into the Series 2001 Defeasance Escrow Agreement relating to the defeasance of the Series 2001 Bonds. Pursuant to Section 404(B) of the Indenture, on the Closing Date relating to the Initial Bonds, or as soon thereafter as is practicable following execution and delivery of the Series 2001 Defeasance Escrow Agreement, the Trustee shall pay to the Series 2001 Trustee, from the moneys on deposit in the Project Fund, an amount equal to the Series 2001 Defeasance Cash Deposit. Pursuant to the provisions of the Series 2001 Defeasance Escrow Agreement, the Series 2001 Defeasance Cash Deposit shall become part of the Series 2001 Defeasance Escrow Deposit, and the Series 2001 Defeasance Escrow Deposit shall be held by the Series 2001 Trustee pursuant to the Series 2001 Defeasance Escrow Agreement and applied to pay debt

service coming due on the Series 2001 Bonds and to redeem the Series 2001 Bonds within ninety (90) days of the issuance of the Initial Bonds.

Further pursuant to the Indenture, the Trustee has been instructed to enter into the Series 2003 Defeasance Escrow Agreement relating to the defeasance of the Series 2003 Bonds. Pursuant to Section 404(B) of the Indenture, on the Closing Date relating to the Initial Bonds, or as soon thereafter as is practicable following execution and delivery of the Series 2003 Defeasance Escrow Agreement, the Trustee shall pay to the Series 2003 Trustee, from the moneys on deposit in the Project Fund, an amount equal to the Series 2003 Defeasance Cash Deposit. Pursuant to the provisions of the Series 2003 Defeasance Escrow Agreement, the Series 2003 Defeasance Cash Deposit shall become part of the Series 2003 Defeasance Escrow Deposit, and the Series 2003 Defeasance Escrow Deposit shall be held by the Series 2003 Trustee pursuant to the Series 2003 Defeasance Escrow Agreement and applied to pay debt service coming due on the Series 2003 Bonds and to redeem the Series 2003 Bonds on the earliest possible optional redemption date relating to the Series 2003 Bonds following the date of the issuance of the Initial Bonds.

Pursuant to the Indenture, upon submission to the Trustee of a Request for Disbursement certified by an Authorized Representative of the Institution and complying with the requirements of the Indenture, the balance of the moneys on deposit in the Project Fund relating to the Initial Bonds shall be applied within thirty (30) days of the issuance of the Initial Bonds to pay certain costs and expenses incurred in connection with the Initial Project as detailed in the Loan Agreement.

Any disbursements from the Project Fund for the payment of the Project Costs relating to the Initial Project shall be made by the Trustee only upon the written order of the Authorized Representative of the Institution.

Any moneys relating to the Initial Bonds remaining in the Project Fund after the date of completion of the Initial Project and the payment, or provision for payment, in full of the Project Costs relating to the Initial Project, at the direction of the Authorized Representative of the Institution, promptly shall be:

- (1) used to construct, install, equip and improve such additional real or personal property in connection with the Initial Project as is designated by the Authorized Representative and the construction, installation, equipment and improvement of which will be permitted under the Enabling Act, provided that any such use shall be accompanied by evidence satisfactory to the Trustee that the average reasonably expected economic life of such additional property, together with the other property theretofore acquired with the proceeds of the Bonds, will not be less than 5/6ths of the average maturity of the Initial Bonds or, if such evidence is not presented with the direction, an opinion of Bond Counsel to the effect that the acquisition of such additional property will not result in the interest on the Initial Bonds becoming included in the gross income of the Holders of the Initial Bonds for federal income tax purposes;

- (2) used for the purchase of Initial Bonds in the open market for the purpose of cancellation at prices not exceeding the full market value thereof plus accrued interest thereon to the date of payment therefor;

- (3) paid into the Bond Fund to be applied to the redemption of the Initial Bonds; or

(4) used for a combination of the foregoing as is provided in that direction.

In all such cases, any payments made pursuant to the preceding paragraph shall be made only to the extent that such use or application will not, in the opinion of Bond Counsel or under ruling of the Internal Revenue Service, result in the interest on the Initial Bonds becoming included in the gross income of the Holders thereof for federal income tax purposes.

Completion of the Project (Section 3.4)

The Institution will proceed with due diligence to commence and complete the Project.

Completion by the Institution (Section 3.5)

In the event that the proceeds of the Bonds are not sufficient to pay in full all costs of the Project, the Institution agrees to the Project and to pay all such sums as may be in excess of the moneys available therefor in the Project Fund.

Investment of Fund Moneys (Section 3.7)

At the oral (promptly confirmed in writing) or written request of the Authorized Representative of the Institution, any moneys held as part of any Fund created under the Indenture shall be invested or reinvested by the Trustee in Authorized Investments. The Institution covenants that the Institution will restrict that investment and reinvestment and the use of the proceeds of the Tax-Exempt Bonds in such manner and to such extent, if any, as may be necessary, after taking into account reasonable expectations at the time of delivery of and payment for the Tax-Exempt Bonds, so that the Tax-Exempt Bonds will not constitute arbitrage bonds under Section 148 of the Code.

Rebate Fund (Section 3.8)

The Institution agrees to make such payments to the Trustee as are required of it under Section 407 of the Indenture (Rebate Fund) and to pay the costs and expenses of the independent certified public accounting firm or firm of attorneys engaged in accordance with said Section 407 of the Indenture. The obligation of the Institution to make such payments shall remain in effect and be binding upon the Institution notwithstanding the release and discharge of the Indenture.

Loan Payments and other Amounts Payable (Section 5.1)

Upon the terms and conditions of the Loan Agreement, the Issuer will make the Loan to the Institution. In consideration of and in repayment of the Loan, the Institution shall make, as Loan Payments, payments sufficient in amount to pay when due the Debt Service Payments due and payable on the Bonds. The Institution shall pay Loan Payments as follows:

(1) on or before the fifth (5th) Business Day immediately preceding each Interest Payment Date, the Institution shall cause immediately available funds to be delivered to the Trustee for deposit into the Bond Fund, in an amount equal to the amount due as interest on the Bonds on the next succeeding Interest Payment Date, so that the amount on deposit in the Bond Fund and available for the payment of interest on the fifth (5th) Business Day next preceding such Interest Payment Date, when added to the amount in the Bond Fund and available to the

Trustee for such purpose, shall equal the interest payable on the Bonds on such Interest Payment Date;

(2) on or before the fifth (5th) Business Day immediately preceding each Bond Payment Date upon which a Sinking Fund Payment is due on the Bonds, the Institution shall cause immediately available funds to be delivered to the Trustee for deposit into the Bond Fund, in an amount equal to the amount due as a Sinking Fund Payment on the Bonds on such Bond Payment Date; and

(3) on or before the fifth (5th) Business Day immediately preceding each Bond Payment Date upon which a principal payment is due on the Bonds, the Institution shall cause immediately available funds to be delivered to the Trustee for deposit into the Bond Fund, in an amount equal to the amount due as principal on the Bonds on such Bond Payment Date.

The Institution shall pay as additional Loan Payments under the Loan Agreement any premium when due on the Bonds and the following:

(1) Within thirty (30) days after receipt of a written demand therefor from the Trustee, the Bond Registrar or any Paying Agent, the Institution shall pay to the Trustee, the Bond Registrar or any Paying Agent, as the case may be, the following amounts: (a) the reasonable fees, costs and expenses of the Trustee, the Bond Registrar or Paying Agent for performing the obligations of the Trustee under the Indenture and the other Financing Documents; (b) the sum of the expenses of the Trustee, the Bond Registrar or Paying Agent reasonably incurred in performing the obligations of (i) the Institution under the Loan Agreement, or (ii) the Issuer under the Bonds, the Indenture or the Loan Agreement; and (c) the reasonable attorneys' fees of the Trustee, the Bond Registrar or Paying Agent incurred in connection with the foregoing and other moneys due the Trustee, the Bond Registrar or Paying Agent pursuant to the provisions of any of the Financing Documents.

(2) (a) On the Closing Date, the Institution shall pay to the Issuer, (i) a lump sum payment in an amount equal to the Issuer's administrative fee for the issuance of the Initial Bonds; plus (ii) an additional lump sum additional loan payment in an amount equal to the fees and expenses of general counsel and Bond Counsel to the Issuer relating to the Project.

(b) Within thirty (30) days after receipt of a demand therefor from the Issuer, the Institution shall pay to the Issuer the sum of the reasonable expenses (including, without limitation, reasonable attorney's fees and expenses) of the Issuer and the members, directors, officers, agents, servants and employees thereof incurred by reason of the Issuer's making of the Loan, the financing and/or refinancing of the Project Facility, the issuance and delivery of any Bonds, the marketing or remarketing of any Bonds or in connection with the carrying out of the Issuer's duties and obligations under the Loan Agreement or any of the other Financing Documents, and any other fee or expense of the Issuer with respect to the Project Facility, the Bonds or any of the other Financing Documents, the payment of which is not otherwise provided for under the Loan Agreement.

In the event the Institution fails to make any of the above payments for a period of more than ten (10) days from the date such payment is due, the Institution shall pay the same, together with interest

thereon, at the Default Interest Rate, from the date on which such payment was due until the date on which such payment is made.

The Institution shall be entitled to a credit against the basic Loan Payments next required to be made under the Loan Agreement to the extent that the balance of the Bond Fund is then in excess of amounts required (1) for payment of Bonds theretofore matured or theretofore called for redemption, (2) for payment of interest for which checks or drafts have been drawn and mailed by the Trustee, and (3) for deposit in the Bond Fund for use other than for the payment of Debt Service Payments on the Interest Payment Date next following the applicable date such Loan Payments are due pursuant to the Loan Agreement. In any event, however, if on any Interest Payment Date, the balance in the Bond Fund is insufficient to make required payments of Debt Service Payments on the Bonds, the Institution forthwith will pay to the Trustee, for the account of the Issuer and for deposit into the Bond Fund, any deficiency.

Nature of Obligations of Institution under the Loan Agreement (Section 5.2)

The obligations of the Institution under the Loan Agreement will be general obligations of the Institution and will be absolute and unconditional irrespective of any defense or any rights of set-off, recoupment, counterclaim or abatement that the Institution may otherwise have against the Issuer or the Trustee. The Institution agrees that it will not suspend, discontinue or abate any payment required by, or fail to observe any of its other covenants contained in, the Loan Agreement, or terminate the Loan Agreement for any cause whatsoever.

Prepayment of Loan Payments (Section 5.3)

At any time that the Bonds are subject to redemption under the optional redemption provisions of the Indenture, the Institution may, at its option, prepay, in whole or in part, the Loan Payments payable under the Loan Agreement by causing there to be moneys in an amount equal to the Redemption Price of the Bonds being redeemed on deposit with the Trustee, or the Purchase Price of Bonds being purchased in lieu of redemption, no more than sixty (60) days and no less than thirty (30) days prior to the date such moneys are to be applied to the redemption of such Bonds under the Indenture.

Maintenance and Modification of the Project Facility (Section 6.1)

So long as any of the Bonds are Outstanding, and during the term of the Loan Agreement, the Institution will keep the Project Facility in good condition and make all necessary repairs.

Taxes, Assessments And Utility Charges (Section 6.2)

The Institution will pay or cause to be paid all taxes, assessments, and utility charges associated with the Project Facility.

Insurance Required (Section 6.3)

The Institution is required to maintain insurance to protect the interests of the Institution, the Issuer and the Trustee.

Damage, Destruction and Condemnation (Section 7.1 and Section 7.2)

In the case of damage to or the destruction or Condemnation of the Project Facility, the Institution, but not the Issuer, will have an obligation to replace, repair, rebuild or restore the Project Facility, using insurance or Condemnation proceeds for this purpose to the extent available, unless the Institution elects not to replace, repair, rebuild or restore the Project Facility and to cause a defeasance of the Bonds in accordance with the Indenture and the Tax Documents. If the Institution opts to provide for the defeasance and/or redemption of the Bonds and if the Net Proceeds collected under any and all policies of insurance or of any Condemnation award are less than the amount necessary to defease and/or redeem the Bonds in full and pay any and all amounts payable under the Financing Documents to the Issuer and the Trustee, the Institution will be required to pay to the Trustee the difference between such amounts and the Net Proceeds of all insurance settlements and Condemnation awards so that all of the Bonds then Outstanding will be defeased and/or redeemed and any and all amounts payable under the Financing Documents to the Issuer and the Trustee will be paid in full.

Termination (Section 8.17)

Upon (1) payment in full of the Loan evidenced by the Bonds, (2) termination of the Pledge and Assignment, (3) payment in full of all other Indebtedness evidenced by the Loan Agreement and (4) performance by the Institution of all other obligations of the Institution to the Issuer pursuant to the provisions of the Loan Agreement (collectively, the "Termination Preconditions"), the Loan Agreement shall terminate, except as provided in Section 11.8 thereof (Survival of Obligations). Upon satisfaction of the Termination Preconditions, the Issuer agrees to execute and deliver to the Institution the Termination of Loan Agreement.

Use of the Project Facility (Section 8.18)

Subsequent to the Closing Date, (A) the Institution shall not use the Project Facility, or permit the Project Facility to be used, by any Nonexempt Person or in any "unrelated trade or business", within the meaning of Section 513(a) of the Code, in such manner or to such extent as would cause the interest paid or payable on the Tax-Exempt Bonds to be includable in the gross income of the recipients thereof for federal income tax purposes or loss of the Institution's status as an exempt organization under Section 501(c)(3) of the Code, and (B) the Institution shall be entitled to use the Project Facility as an educational facility and other directly and indirectly related activities for use by the Institution;, but not (except as otherwise permitted by the Loan Agreement) (1) as facilities used or to be used primarily for sectarian instruction or as a place of religious worship or (2) primarily as in connection with any part of a program of a school or department of divinity for any religious denomination.

Assignment of the Loan Agreement (Section 9.1)

The Loan Agreement may not be assigned by the Institution, in whole or in part, without the prior written consent of the Issuer and the Trustee.

Merger of the Issuer (Section 9.2)

Nothing contained in the Loan Agreement shall prevent the consolidation of the Issuer with, or merger of the Issuer into, or assignment by the Issuer of its rights and interests hereunder to, any other public instrumentality or a political subdivision of the State or Schenectady County, New York which has

the legal authority to perform the obligations of the Issuer under the Loan Agreement, provided that (1) the exclusion of the interest payable on the Tax-Exempt Bonds from gross income for Federal income tax purposes shall not be adversely affect thereby; and (2) upon any such consolidation, merger or assignment, the due and punctual performance and observance of all of the agreements and conditions of the Loan Agreement, the Bonds and the Indenture to be kept and performed by the Issuer shall be expressly assumed in writing by the public instrumentality or political subdivision resulting from such consolidation or surviving such merger or to which the Issuer's rights and interests hereunder or under the Loan Agreement shall be assigned.

Events of Default Defined (Section 10.1)

Under the Loan Agreement, one or more of the following events will constitute an "Event of Default":

(1) A default by the Institution in the due and punctual payment of the basic Loan Payments due pursuant to the Loan Agreement.

(2) The Institution shall fail to deliver to the Trustee, or cause to be delivered on their behalf, the moneys needed to redeem any outstanding Bonds in the manner and upon the date requested in writing by the Trustee as provided in Article III of the Indenture.

(3) A default in the performance or observance of any other of the material covenants, conditions or agreements on the part of the Institution in the Loan Agreement and the continuance thereof for a period of thirty (30) days after written notice is given by the Issuer or the Trustee to the Institution (with a copy to the Trustee, if given by the Issuer), or, if such covenant, condition or agreement is capable of cure but cannot be cured within such thirty (30) day period, the failure of the Institution to commence to cure within such thirty (30) day period and to thereafter prosecute the same with due diligence and, in any event, to cure such default within sixty (60) days after such written notice is given.

(4) The occurrence of an "Event of Default" under any of the other Financing Documents.

(5) Any material representation or warranty made by the Institution in the Loan Agreement or in any other Financing Document proves to have been false at the time it was made.

(6) The Institution shall generally not pay its debts as such debts become due or admits its inability to pay its debts as they become due.

(7) Any sale, conveyance, lease agreement or any other change of ownership of the Project Facility, whether occurring voluntarily or involuntarily, or by operation of law or otherwise, by the Institution (except pursuant to the Loan Agreement or a Permitted Encumbrance) of the Institution's interest in the Project Facility or any part thereof, or the granting of any easements or restrictions or the permitting of any encroachments on the Project Facility, except as permitted in the Loan Agreement or a Permitted Encumbrance.

(8) (a) The filing by the Institution (as debtor) of a voluntary petition under the Bankruptcy Code or any other federal or state bankruptcy statute; (b) the failure by the Institution within sixty (60) days to lift any execution, garnishment or attachment of such consequence as will impair the Institution's ability to carry out its obligations under the Loan Agreement; (c) the commencement of a case under the Bankruptcy Code against the Institution as the debtor or commencement under any other federal or state bankruptcy statute of a case, action or proceeding against the Institution and continuation of such case, action or proceeding without dismissal for a period of sixty (60) days; (d) the entry of an order for relief by a court of competent jurisdiction under the Bankruptcy Code or any other federal or state bankruptcy statute with respect to the debts of the Institution; or (e) in connection with any insolvency or bankruptcy case, action or proceeding, appointment by final order, judgment or decree of a court of competent jurisdiction of a receiver or trustee of the whole or a substantial portion of the Property of the Institution, unless such order, judgment or decree is vacated, dismissed or dissolved within sixty (60) days of such appointment.

(9) The removal of the Equipment or any portion thereof outside Schenectady County, New York, without the prior written consent of the Issuer, other than in connection with a removal under Section 9.4 of the Loan Agreement (permitting removal of obsolete or unnecessary portions of the Equipment).

(10) Any provision of the Loan Agreement or any of the other Financing Documents shall at any time for any reason cease to be valid and binding on the related obligor thereunder or shall be declared to be null and void by any court or governmental authority or agency having jurisdiction over the Institution, or the validity or the enforceability thereof shall be contested by the Institution, the Issuer or the Trustee, in a judicial or administrative proceeding.

(11) Any Financing Document shall cease to be in full force and effect, or any Lien created or purported to be created in any collateral pursuant to any Financing Document shall fail to be valid, enforceable and perfected Lien in favor of the secured party or parties named in such Financing Document, having the priority purported to be given such Lien under such Financing Documents, or the Institution, the Trustee or any Governmental Authority shall assert any of the foregoing, unless such failure of validity, enforceability or perfection is caused by the negligence or intentional act of the Trustee or the Issuer.

Notwithstanding the foregoing, if by reason of force majeure (as hereinafter defined) either party to the Loan Agreement shall be unable, in whole or in part, to carry out its obligations under the Loan Agreement and if such party shall give notice and full particulars of such force majeure in writing to the other party and to the Trustee within a reasonable time after the occurrence of the event or cause relied upon, the obligations under the Loan Agreement of the party giving such notice, so far as they are affected by such force majeure, shall be suspended during the continuance of the inability, which shall include a reasonable time for the removal of the effect thereof. The suspension of such obligations for such period pursuant to this provision shall not be deemed an Event of Default under the Loan Agreement. Notwithstanding this provision, an event of force majeure shall not excuse, delay or in any way diminish certain obligations of the Institution to make certain payments, to obtain and continue in full force and effect certain insurance, to provide certain indemnity required by the Loan Agreement and to comply with certain other provisions of the Loan Agreement. The term "force majeure" as used herein shall include acts outside of the control of the Issuer and the Institution, including but not limited to acts of God, strikes, lockouts or other industrial disturbances, acts of public enemies, orders of any kind of any

Governmental Authority or any civil or military authority, insurrections, riots, epidemics, landslides, lightning, earthquakes, fire, hurricanes, storms, floods, washouts, droughts, arrests, restraint of government and people, civil disturbances, explosions, breakage or accident to machinery, transmission pipes or canals, and partial or entire failure of utilities, or any other cause or event not reasonably within the control of the party claiming such inability. It is agreed that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the party having difficulty, and the party having difficulty shall not be required to settle any strike, lockout or other industrial disturbances by acceding to the demands of the opposing party or parties.

Remedies on Default (Section 10.2)

Whenever any Event of Default shall have occurred and be continuing, the Issuer and/or the Trustee may, to the extent permitted by law, take any one or more of the following remedial steps:

- (1) declare, by written notice to the Institution, to be immediately due and payable
 - (a) all unpaid installment purchase payments payable pursuant to the Loan Agreement and (b) all other payments due under the Loan Agreement or any of the other Financing Documents;
- (2) take any other action at law or in equity which may appear necessary or desirable to collect any amounts then due or thereafter to become due under the Loan Agreement and to enforce the obligations, agreements or covenants of the Institution under the Loan Agreement;
- (3) terminate disbursement of the Bond Proceeds; or
- (4) exercise any remedies available pursuant to any of the other Financing Documents.

No Recourse; Special Obligation (Section 11.10)

The obligations and agreements of the Issuer contained in the Loan Agreement and in the other Financing Documents and any other instrument or document executed in connection therewith, and any other instrument or document supplemental thereto, will be deemed the obligations and agreements of the Issuer, and not of any member, officer, director, agent, servant or employee of the Issuer in his individual capacity, and the members, officers, directors, agents, servants and employees of the Issuer will not be liable personally on the Loan Agreement or such other documents or be subject to any personal liability or accountability based upon or in respect of the Loan Agreement or such other documents or of any transaction contemplated by the Loan Agreement or such other documents.

The obligations and agreements of the Issuer contained in the Loan Agreement or such other documents will not constitute or give rise to an obligation of the State of New York or of Schenectady County, New York, and neither the State of New York nor Schenectady County, New York will be liable hereon or thereon, and, further, such obligations and agreements will not constitute or give rise to a general obligation of the Issuer, but rather will constitute limited obligations of the Issuer payable solely from the revenues of the Issuer derived and to be derived from the sale or other disposition of the Project Facility (except for revenues derived by the Issuer with respect to the Unassigned Rights).

No order or decree of specific performance with respect to any of the obligations of the Issuer under the Loan Agreement will be sought or enforced against the Issuer unless (A) the party seeking such

order or decree will first have requested the Issuer in writing to take the action sought in such order or decree of specific performance, and ten (10) days will have elapsed from the date of receipt of such request, and the Issuer will have refused to comply with such request (or, if compliance therewith would reasonably be expected to take longer than ten days, will have failed to institute and diligently pursue action to cause compliance with such request within such ten day period) or failed to respond within such notice period, (B) if the Issuer refuses to comply with such request and the Issuer's refusal to comply is based on its reasonable expectation that it will incur fees and expenses, the party seeking such order or decree will have placed in an account with the Issuer an amount or undertaking sufficient to cover such reasonable fees and expenses, and (C) if the Issuer refuses to comply with such request and the Issuer's refusal to comply is based on its reasonable expectation that it or any of its members, officers, agents, servants or employees will be subject to potential liability, the party seeking such order or decree (1) agrees to indemnify and hold harmless the Issuer and its members, officers, agents and employees against any liability incurred as a result of its compliance with such demand, and (2) if requested by the Issuer, furnishes to the Issuer satisfactory security to protect the Issuer and its members, officers, agents and employees against all liability expected to be incurred as a result of compliance with such request. Any failure to provide the indemnity and/or security required in this paragraph shall not affect the full force and effect of an Event of Default under the Loan Agreement.

SUMMARY OF CERTAIN PROVISIONS OF THE PLEDGE AND ASSIGNMENT

Pursuant to the Pledge and Assignment, to further secure the payment of the Bonds, the Issuer will pledge, assign, transfer and set over to the Trustee, and grant the Trustee a lien on and security interest in, all of the Issuer's right, title and interest in the Loan Agreement and any and all moneys due or to become due and any and all other rights and remedies of the Issuer under or arising out of the Loan Agreement, except for the Unassigned Rights.

The foregoing is a brief summary of the Pledge and Assignment and should not be considered a complete statement thereof. Reference is made to the Pledge and Assignment for complete details of the terms thereof.

APPENDIX D

FORM OF APPROVING OPINION OF BOND COUNSEL

Upon delivery of the Initial Bonds, Hodgson Russ LLP, Albany, New York, Bond Counsel, proposes to issue its approving opinion as to the Series 2012A Bonds in substantially the following form:

_____, 2012

Schenectady County Capital Resource Corporation
Center City Plaza
433 State Street
Schenectady, New York 12305

Re: Schenectady County Capital Resource Corporation
Tax-Exempt Revenue Bonds (Union College Refunding Project), Series
2012A in the aggregate principal amount of \$_____

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance on the date hereof of the Tax-Exempt Revenue Bonds (Union College Refunding Project), Series 2012A in the aggregate principal amount of \$_____ (the "Initial Bonds") by Schenectady County Capital Resource Corporation (the "Issuer") (a public instrumentality of Schenectady County, New York), a New York not-for-profit corporation, created pursuant to Section 1411 of the Not-For-Profit Corporation Law of the State of New York, as amended (the "Enabling Act").

The Initial Bonds are being issued under and pursuant to a bond resolution adopted by the members of the Issuer on April __, 2012 and a trust indenture dated as of April 1, 2012 (the "Indenture") by and between the Issuer and Manufacturers and Traders Trust Company, as trustee (the "Trustee"), in connection with a project (the "Initial Project") to be undertaken by the Issuer for the benefit of The Trustees of Union College in the Town of Schenectady in the State of New York (a/k/a Union College) (the "Institution"), said Initial Project consisting of the following: (A)(1) the refinancing and/or refunding of the Tax-Exempt Civic Facility Revenue Bonds (Union College Project), Series 2001A in the original aggregate principal amount of \$32,720,000 (the "Prior Series 2001 Bonds") issued on or about December 20, 2001 by Schenectady County Industrial Development Agency (the "County Issuer"), which Prior Series 2001 Bonds were issued to finance a portion of the following project (the "Series 2001 Project"): (a)(i) the acquisition of various interests (collectively, the "Series 2001 Land") in the real estate composing the campus operated by the Institution in the City of Schenectady, Schenectady County, New York (the "Campus"), together with various existing educational, administrative, athletic and housing buildings located thereon (collectively, the "Series 2001 Existing Facility"), (ii) the renovation of the Series 2001 Existing Facility and the construction on the Series 2001 Land of various educational, administrative, athletic and housing buildings (collectively, the "Series 2001 New Facility"), (iii) the construction on the Series 2001 Land of various improvements (the "First Series 2001 Improvements"), said First Series 2001 Improvements to include streetscape improvements, (iv) the acquisition and installation therein and thereon of certain machinery and equipment (the "First Series 2001 Equipment"),

(v) the performance of deferred and ongoing maintenance's of the Existing Facility as proscribed in the Institution's annual capital budget (the "Series 2001 Capital Repairs"), (vi) the construction on the Series 2001 Land of various streetscape improvements as proscribed in the Institution's annual capital budget (the "Second Series 2001 Improvements"), (vii) the acquisition and installation therein and thereon of certain machinery and equipment as proscribed in the Institution's annual capital budget (the "Second Series 2001 Equipment"), (viii) the acquisition of an interest in various parcels of land comprising a portion of the Campus (the "Series 2001 Refunding Land"), together with certain existing buildings located thereon, including the Alumni Gym, Reamer College Center and the Yulman Theater (collectively, the "Series 2001 Refunding Facility"), and certain machinery and equipment located therein and thereon (collectively, the "Series 2001 Refunding Equipment") (the Series 2001 Refunding Land, the Series 2001 Refunding Facility and the Series 2001 Refunding Equipment being collectively referred to as the "Series 2001 Refunding Project Facility") and (ix) the refinancing and/or refunding of certain existing indebtedness incurred by the Institution to finance construction, renovation and equipping of the Series 2001 Refunding Project Facility and other capital financing needs of the Institution (the Series 2001 Land, the Series 2001 Existing Facility, the Series 2001 New Facility, the First Series 2001 Improvements, the First Series 2001 Equipment, the Series 2001 Capital Repairs, the Second Series 2001 Improvements, the Second Series 2001 Equipment, the Series 2001 Refunding Land, the Series 2001 Refunding Facility and the Series 2001 Refunding Equipment being collectively referred to as the "Series 2001 Project Facility"), (b) the financing of all or a portion of the costs of the foregoing by the issuance of the Prior Series 2001 Bonds; and (c) the sale of the Series 2001 Project Facility by the County Issuer to the Institution, and (2) the refinancing and/or refunding of the Civic Facility Insured Revenue Bonds (Union College Project), Series 2003A in the original aggregate principal amount of \$16,415,000 (the "Prior Series 2003 Bonds") issued on or about November 13, 2003 by City of Schenectady Industrial Development Agency (the "City Issuer"), which 2003 Bonds were issued to finance a portion of the following project (the "Series 2003 Project"): (a)(i) the acquisition of an interest in a parcel of land located at 450 Nott Street in the City of Schenectady, New York (the "Series 2003 Off Campus Land"); (ii) the renovation and reconstruction of the existing facility located thereon (the "Series 2003 Existing Facility") for use as student housing; (iii) improvements in connection with the renovation of the Series 2003 Existing Facility, including construction of a pedestrian walkway through the former Main Care site, 205 Park Place or through 213 Park Place (each property owned by the Institution) to the Series 2003 Off Campus Land (the "Series 2003 Related Improvements"); (iv) the acquisition and installation in the Series 2003 Existing Facility of certain machinery and equipment (the "Series 2003 Off Campus Equipment" and, together with the Series 2003 Off Campus Land, the Series 2003 Existing Facility and the Series 2003 Related Improvements, the "Series 2003 Off Campus Project Facility"); (v) the acquisition of an interest in various parcels of land comprising the Institution's Campus (the "Series 2003 Campus Land"), together with various existing educational, administrative, athletic and housing buildings located thereon (the "Series 2003 Campus Existing Facility"), (vi) the deferred and on-going maintenance of the Series 2003 Campus Existing Facility as proscribed in the Institution's annual capital budget (the "Series 2003 Capital Repairs"), and (vii) the acquisition and installation in the Series 2003 Campus Existing Facility of certain machinery and equipment (the "Series 2003 Campus Equipment") (the Series 2003 Campus Land, the Series 2003 Campus Existing Facility, the Series 2003 Capital Repairs and the Series 2003 Equipment being collectively referred to as the "Series 2003 Campus Project Facility" (the Series 2003 Off Campus Project Facility and the Series 2003 Campus Project Facility being collectively referred to as the "Series 2003 Project Facility"), all of the foregoing constituting an educational facility and other directly and indirectly related activities for use by the Institution (the Series 2001 Project Facility and the Series 2003 Project Facility are sometimes hereinafter collectively referred to as the "Initial Project Facility"); (b) the financing of all or a portion of the costs of the foregoing by the issuance of the Prior Series 2003 Bonds; and (c) the sale of the Series 2003 Project Facility by the City Issuer to the Institution; (B) the financing of all or a portion of the costs of the foregoing by the issuance of revenue

bonds of the Issuer in one or more issues or Series in an aggregate principal amount sufficient to pay the cost of undertaking the Initial Project, together with necessary incidental costs in connection therewith, in an amount then estimated to be approximately \$25,000,000 and in any event not to exceed \$25,000,000 (the "Obligations"); and (C) paying a portion of the costs incidental to the issuance of the Obligations, including issuance costs of the Obligations and any reserve funds as may be necessary to secure the Obligations.

The Initial Bonds are dated the date hereof, are issued as fully registered bonds without coupons and mature and bear interest at the rates set forth therein. The Initial Bonds are (A) subject to optional, special and mandatory redemption prior to maturity, and (B) acceleration prior to maturity, all as set forth in the Indenture and in the Initial Bonds.

The principal of, redemption premium, if any, and interest on the Initial Bonds are payable from loan payments to be made by the Institution under the Loan Agreement. As security for the Initial Bonds, the Issuer has executed and delivered to the Trustee a pledge and assignment dated as of April 1, 2012 (the "Pledge and Assignment") which assigns to the Trustee certain of the Issuer's rights under the Loan Agreement.

We have examined a specimen Initial Bond and executed counterparts of the Indenture, the Loan Agreement and the Pledge and Assignment (collectively, the "Issuer Documents") and a certain tax regulatory agreement dated the date hereof from the Institution to the Trustee and the Issuer (the "Tax Regulatory Agreement") and such certified proceedings and such other documents as we deemed necessary to render this opinion.

With respect to the due authorization, execution and delivery by the Institution of the agreements to which it is a party, we have relied on the opinion of Hiscock & Barclay, LLP, counsel to the Institution. With respect to the due authorization, execution and delivery by Manufacturers and Traders Trust Company (both in its corporate capacity as signatory of the Indenture and in its capacity as Trustee) of the agreements to which it is a party, we have relied on the opinion of Harris Beach PLLC, counsel to the Trustee.

In our examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity with the original documents of all documents submitted to us as copies. Furthermore, in rendering the following opinions, we have assumed that all documents executed by a person or persons other than the Issuer were duly executed and delivered by said other person or persons and that said documents constitute legal, valid and binding obligations of said person or persons enforceable against said person or persons in accordance with their terms.

In rendering the opinions expressed in paragraphs (D) and (E) below, we note that the exclusion of the interest on the Initial Bonds from gross income for federal income tax purposes may be dependent, among other things, on compliance with the applicable requirements of Sections 145, 147, 148 and 149 of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations thereunder (collectively, the "Tax Requirements"). In our opinion, the Tax Regulatory Agreement and the other Financing Documents (as defined in the Indenture) establish requirements and procedures, compliance with which will satisfy the Tax Requirements. It should be noted, however, that compliance with certain Tax Requirements necessary to maintain the exclusion from gross income for federal income tax purposes of the interest on the Initial Bonds may necessitate the taking of action, or refraining to take action, by persons not within the control of the Issuer or the Institution.

Based upon our examination of the foregoing and in reliance upon the matters and subject to the limitations contained herein, we are of the opinion, as of the date hereof and under existing law, as follows:

(A) The Issuer was duly created and is validly existing as a corporate governmental agency constituting a not-for-profit corporation of the State of New York with the corporate power to enter into and perform its obligations under the Issuer Documents and to issue the Initial Bonds.

(B) The Issuer Documents have been duly authorized, executed and delivered by the Issuer and are valid and binding special obligations of the Issuer enforceable against the Issuer in accordance with their respective terms, except as specified below.

(C) The Initial Bonds have been duly authorized, executed and delivered by the Issuer and, assuming due authentication thereof by the Trustee, are valid and binding special obligations of the Issuer payable with respect to the Issuer solely from the revenues derived by the Issuer from the revenues derived from the Loan Agreement.

(D) (1) The interest on the Initial Bonds is excludable from gross income for federal income tax purposes and is not an "item of tax preference" for purposes of the individual and corporate alternative minimum taxes imposed by the Code; provided, however, that (a) the Institution or another Person, by failing to comply with the Tax Requirements, may cause interest on the Initial Bonds to become subject to federal income taxation from the date of issuance thereof, and (b) interest on the Initial Bonds is included in determining (i) the tax base for purposes of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes) under Section 56 of the Code, and the branch profits tax imposed on foreign corporations doing business in the United States under Section 884 of the Code, (ii) passive investment income for purposes of computing the tax on net passive income imposed on certain subchapter S corporations under Section 1375 of the Code, and (iii) the modified adjusted gross income of a taxpayer for purposes of computing the portion of Social Security or Railroad Retirement benefits included in gross income under Section 86 of the Code.

(2) The original issue discount in the selling price of certain maturities of the Initial Bonds, to the extent properly allocable to each holder of such Initial Bonds, is excludable from gross income for federal income tax purposes with respect to such holder. The original issue discount is the difference between the initial offering price by the underwriters to the public of the Initial Bonds initially sold at a discount (as adjusted to reflect the accretion of original issue discount to the date of original delivery) and the principal amount of such Initial Bonds. Under published rulings of the Internal Revenue Service, the original issue discount is generally apportioned among the original and succeeding holders of a tax-exempt bond so that each holder is entitled to treat as tax-exempt interest (and not as capital gain) that portion of the original issue discount which the number of days the bond is owned by him bears to the total number of days from the date of issuance of the bond to its stated maturity. In the event a bond is called for optional redemption, the rulings indicate that the original issue discount which would otherwise have accrued between the redemption date and the stated maturity is not allocated to any holder. There is no published ruling as to the treatment of original issue discount in the case of mandatory redemption of a tax-exempt bond.

(E) The Initial Bonds do not constitute "arbitrage bonds", within the meaning of Section 148 of the Code, except as specified below.

(F) So long as interest on the Initial Bonds is excluded from gross income for federal income tax purposes, the interest on the Initial 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).

(G) The Initial Bonds do not constitute a debt of the State of New York or of Schenectady County, New York, and neither the State of New York nor Schenectady County, New York is liable thereon.

We call your attention to the fact that the Institution or another person, by failing to comply with the Tax Requirements as set forth in the Code and the Tax Regulatory Agreement, may cause interest on the Initial Bonds to become subject to federal income taxation from the date hereof. We express no opinion regarding other federal tax consequences arising with respect to the Initial Bonds.

Any opinion concerning the validity, binding effect or enforceability of any document (A) means that (1) such document constitutes an effective contract under applicable law, (2) such document is not invalid in its entirety under applicable law because of a specific statutory prohibition or public policy, and is not subject in its entirety to a contractual defense under applicable law and (3) subject to the following sentence, some remedy is available under applicable law if the person concerning whom such opinion is given is in material default under such document, but (B) does not mean that (1) any particular remedy is available under applicable law upon such material default or (2) every provision of such document will be upheld or enforced in any or each circumstance by a court applying applicable law. Furthermore, the validity, binding effect or enforceability of any document may be limited to or otherwise affected by (A) any applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar statute, rule, regulation or other law affecting the enforcement of creditors' rights and remedies generally or (B) the unavailability of, or any limitation on the availability of, any particular right or remedy (whether in a proceeding in equity or law) because of the discretion of a court or because of any equitable principle or requirement as to commercial reasonableness, conscionability or good faith.

We express no opinion with respect to (A) title to all or any portion of the Initial Project Facility, (B) the priority of any liens, charges, security interests or encumbrances affecting the Initial Project Facility or any part thereof (or the effectiveness of any remedy which is dependent upon the existence of title to the Initial Project Facility or the priority of any such lien, charge, security interest or encumbrance), (C) any laws, regulations, judgments, permits or orders with respect to zoning, subdivision matters or requirements for the physical commencement and continuance of the construction, reconstruction, installation, occupancy or operation of the Initial Project Facility or with respect to the requirements of filing or recording of any of the Financing Documents, or (D) the laws of any jurisdiction other than the State of New York and other than the securities and the tax laws of the United States of America.

Schenectady County Capital Resource Corporation

_____, 2012

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No opinion is expressed as to any financial or other information, or the adequacy thereof, which has been or may be supplied to any purchaser of the Initial Bonds.

Very truly yours,

HODGSON RUSS LLP

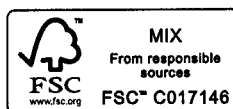
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