

*In the opinion of Harris Beach PLLC, Bond Counsel to the Issuer, based on existing statutes, regulations, court decisions and administrative rulings, and assuming compliance with the tax covenants described herein, interest on the Series 2017 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Furthermore, Bond Counsel is of the opinion that interest on the Series 2017 Bonds is not an "item of tax preference" for purposes of the federal alternative minimum tax imposed on individuals and corporations. Interest on the Series 2017 Bonds is, however, included in the computation of "adjusted current earnings" for purposes of calculating the federal alternative minimum tax imposed on certain corporations. Bond Counsel is further of the opinion that, based on existing law, for so long as interest on the Series 2017 Bonds is and remains excluded from gross income for federal income tax purposes, such interest is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof. See "TAX MATTERS" in this Official Statement.*

**\$31,645,000**

**MONROE COUNTY INDUSTRIAL DEVELOPMENT CORPORATION**  
**TAX-EXEMPT REVENUE BONDS**  
**(NAZARETH COLLEGE OF ROCHESTER PROJECT), SERIES 2017**



**Dated: Date of Delivery**

**Due: October 1 (as shown on the inside cover)**

The Monroe County Industrial Development Corporation Tax-Exempt Revenue Bonds (Nazareth College of Rochester Project), Series 2017 (the "Series 2017 Bonds") will be issued pursuant to an Indenture of Trust, dated as of December 1, 2017 (the "Indenture"), by and between the Monroe County Industrial Development Corporation (the "Issuer") and Manufacturers and Traders Trust Company, as trustee (the "Trustee") and are payable from and secured by (i) a pledge and assignment to the Trustee of certain payments to be made under a Loan Agreement, dated as of December 1, 2017 (the "Loan Agreement") by and between the Issuer and Nazareth College of Rochester (the "College"), (ii) a security interest in and lien on the Pledged Revenues (as hereinafter defined) pursuant to a certain Pledge and Security Agreement, dated as of December 1, 2017, by and between the College and the Trustee (the "Pledge and Security Agreement"), and (iii) the respective funds and accounts (except the Rebate Fund) held by the Trustee under the Indenture. The security interest in and lien on the Pledged Revenues granted pursuant to the Pledge and Security Agreement is on a parity basis with the Series 2013 Revenue Pledge, the Series 2011 Revenue Pledge and the Series 2008 Revenue Pledge (each, as defined herein). See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017 BONDS."

**The Series 2017 Bonds are subject to redemption prior to maturity as described herein under the heading "THE SERIES 2017 BONDS — Redemption Prior to Maturity".**

The proceeds of the sale of the Series 2017 Bonds will provide funds which, together with any other available funds, will be used to (A)(i) finance the construction and equipping of an approximately 24,125 square-foot one (1) story addition to the College's Arts Center to house the College's new musical training and performance center including related facilities and improvements, (ii) finance the construction and equipping of an approximately 118,000 square-foot one (1) story athletic facility to house the College's new athletic training center including related facilities and improvements, (iii) finance the replacement of the existing artificial turf at the College's Golden Flyer Stadium, (B) advance refund a portion of the outstanding Issuer's Tax-Exempt Revenue Bonds (Nazareth College of Rochester Project), Series 2011 (the "Series 2011 Bonds"), (C) finance the payment of capitalized interest on the 2017 Bonds and (D) pay certain costs of issuance of the Series 2017 Bonds. See "THE PROJECT" herein.

The Series 2017 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, which will act as Securities Depository (as defined herein) for the Series 2017 Bonds. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple of \$5,000 in excess thereof. Purchasers will not receive certificates representing their ownership interest in the Series 2017 Bonds. Interest on the Series 2017 Bonds will be payable semi-annually on April 1 and October 1 in each year until maturity, commencing on April 1, 2018.

The Series 2017 Bonds are special and limited obligations of the Issuer and do not constitute a debt or pledge of the faith and credit of the Issuer, the State of New York, Monroe County or any taxing authority or political subdivision thereof for the payment of the principal or redemption price thereof or interest thereon. The Issuer has no taxing authority.

The Series 2017 Bonds are offered when, as and if issued and received by the Underwriter and subject to the receipt of the approving opinion as to the validity of the Series 2017 Bonds of Harris Beach PLLC, Rochester, New York, Bond Counsel. Certain legal matters will be passed upon for the College by its counsel, Harter Secrest & Emery LLP, Rochester, New York. Certain legal matters will be passed upon for the Issuer by its counsel, Harris Beach PLLC, Rochester, 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 2017 Bonds will be available for delivery in New York, New York, or as may be agreed upon, on or about December 20, 2017.

**BofA Merrill Lynch**

**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS AND CUSIP NUMBERS**

**\$31,645,000 TAX-EXEMPT REVENUE BONDS, SERIES 2017**

<u>Maturity</u> <u>(October 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <sup>†</sup>
2018	\$ 405,000	5.000%	1.940%	61075TTC2
2019	695,000	5.000	2.180	61075TTD0
2020	730,000	5.000	2.240	61075TTE8
2021	765,000	5.000	2.350	61075TTF5
2022	800,000	5.000	2.480	61075TTG3
2023	840,000	5.000	2.620	61075TTH1
2024	885,000	5.000	2.730	61075TTJ7
2025	930,000	5.000	2.840	61075TTK4
2026	980,000	5.000	2.910	61075TTL2
2027	1,035,000	5.000	3.000	61075TTM0
2028	1,080,000	3.000	3.160	61075TTN8
2029	1,110,000	3.000	3.270	61075TTP3
2030	1,145,000	3.125	3.390	61075TTQ1
2031	1,185,000	5.000	3.250*	61075TTR9
2032	1,245,000	5.000	3.300*	61075TTS7
2033	1,305,000	3.500	3.670	61075TTT5
2034	1,350,000	4.000	3.760*	61075TTU2

\$4,380,000 3.750% Term Bond Due October 1, 2037 (Priced at 98.211% to Yield: 3.880%) (CUSIP: 61075TTV0<sup>†</sup>)

\$10,780,000 4.000% Term Bond Due October 1, 2047 (Priced at 100.000% to Yield: 4.000%) (CUSIP: 61075TTW8<sup>†</sup>)

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\* Priced at stated yield to the first optional redemption date of October 1, 2027 at a redemption price of 100%.

<sup>†</sup> 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 2017 Bonds may be changed during the term of the Series 2017 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.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2017 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, IS NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE SERIES 2017 BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

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No dealer, broker, salesperson or other person has been authorized by the Issuer, the College or the Underwriter to give any information or to make any representations with respect to the Series 2017 Bonds, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of the Series 2017 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the Issuer, the College, The Depository Trust Company and other sources that are believed to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the Issuer (except for the statements under the captions “INTRODUCTION – The Issuer”, “THE ISSUER” and “LITIGATION – The Issuer” (only insofar as such information pertains to the Issuer)) or the Underwriter (except for the statements under the caption “UNDERWRITING”). The information 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 matters described herein since the date hereof.

The Underwriter has provided the following sentence for inclusion in the Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities law as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The Series 2017 Bonds are not and will not be registered under the Securities Act of 1933, as amended, or under any state securities laws, and the Indenture has not been and will not be qualified under the Trust Indenture Act of 1939, as amended, because of available exemptions therefrom. Neither the Securities and Exchange Commission nor any federal, state, municipal or other governmental agency will pass upon the accuracy, completeness or adequacy of this Official Statement.

**IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

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### Note Regarding Forward Looking Statements

If and when included in this Official Statement, the words “expects”, “forecasts”, “projects”, “intends”, “anticipates”, “estimates”, “assumes”, and analogous expressions are intended to identify forward-looking statements and such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those that have been projected. Such risks and uncertainties include, among others, changes in economic conditions and various other events, conditions and circumstances, many of which are beyond the control of the College or the Issuer. Such forward-looking statements speak only as of the date of this Official Statement. The College and the Issuer disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the College’s or the Issuer’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

## **OFFICIAL STATEMENT**

**of the**

### **MONROE COUNTY INDUSTRIAL DEVELOPMENT CORPORATION**

**Relating to**

**\$31,645,000**

**TAX-EXEMPT REVENUE BONDS (NAZARETH COLLEGE OF ROCHESTER PROJECT),  
SERIES 2017**

### **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 Monroe County Industrial Development Corporation (the “Issuer”) of its \$31,645,000 Tax-Exempt Revenue Bonds (Nazareth College of Rochester Project), Series 2017 (the “Series 2017 Bonds”). The following is a brief description of certain information concerning the Series 2017 Bonds, the Issuer and Nazareth College of Rochester (the “College”). A more complete description of such information and additional information that may affect decisions to invest in the Series 2017 Bonds is contained throughout this Official Statement, which should be read in its entirety. Capitalized terms used in this Official Statement shall have the meanings specified in Appendix C attached hereto. Terms not otherwise defined in this Official Statement have the meanings provided in the specific documents.

#### **Purpose of the Issue**

The Series 2017 Bonds are being issued to provide funds which, together with any other available funds, will be used to (A)(i) finance the construction and equipping of an approximately 24,125 square-foot one (1) story addition to the College’s Arts Center to house the College’s new musical training and performance center including related facilities and improvements, (ii) finance the construction and equipping of an approximately 118,000 square-foot one (1) story athletic facility to house the College’s new athletic training center including related facilities and improvements, (iii) finance the replacement of the existing artificial turf at the College’s Golden Flyer Stadium, (B) advance refund a portion of the outstanding Issuer’s Tax-Exempt Revenue Bonds (Nazareth College of Rochester Project), Series 2011 (the “Series 2011 Bonds”), (C) finance the payment of capitalized interest on the 2017 Bonds and (D) pay certain costs of issuance of the Series 2017 Bonds. See “THE PROJECT” herein.

#### **Authorization of the Series 2017 Bonds**

The Series 2017 Bonds are authorized to be issued pursuant to a resolution of the Issuer adopted on December 5, 2017 (the “Resolution”). The Series 2017 Bonds will be issued under an Indenture of Trust, dated as of December 1, 2017 (the “Indenture”), by and between the Issuer and Manufacturers and Traders Trust Company, as trustee (the “Trustee”). See “THE SERIES 2017 BONDS” herein.

#### **The Issuer**

The Issuer is a not-for-profit local development corporation duly organized and existing under the laws of the State of New York. See “THE ISSUER” herein.

## **The College**

The College is an independent, co-educational college with liberal arts and sciences and professional programs of study at the undergraduate and graduate levels. See “The College” herein.

## **Limited Obligations of the Issuer**

THE SERIES 2017 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 2017 BONDS SOLELY FROM THE TRUST ESTATE UNDER THE TERMS OF THE INDENTURE AND AVAILABLE FOR SUCH PAYMENT. THE SERIES 2017 BONDS ARE NOT A DEBT OF THE STATE OF NEW YORK, OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING MONROE COUNTY, NEW YORK, AND NEITHER THE STATE OF NEW YORK NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING MONROE COUNTY, NEW YORK, SHALL BE LIABLE THEREON. THE SERIES 2017 BONDS SHALL NOT BE PAYABLE FROM ANY OTHER FUNDS OF THE ISSUER. THE ISSUER HAS NO TAXING POWERS.

## **The Pledged Revenues**

The Series 2017 Bonds are secured in part by a security interest in and lien on the Pledged Revenues pursuant to the Pledge and Security Agreement, dated as of December 1, 2017, by and between the College and the Trustee (the “Pledge and Security Agreement”). The lien on the Pledged Revenues granted pursuant to the Pledge and Security Agreement is on a parity basis with the Series 2008 Revenue Pledge, the Series 2011 Revenue Pledge and the Series 2013 Revenue Pledge. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017 BONDS” herein.

## **General**

The Series 2017 Bonds will be issued as “book-entry-only” obligations to be held by The Depository Trust Company, as depository (the “Depository”) for the Series 2017 Bonds. See “BOOK-ENTRY-ONLY SYSTEM” herein.

The Series 2017 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).

The Series 2017 Bonds will be special and limited obligations of the Issuer. The principal, Redemption Price of and interest on the Series 2017 Bonds are payable solely from the revenues received by the Issuer pursuant to the Loan Agreement (other than with respect to the Unassigned Rights) and the Pledge and Security Agreement and all funds and accounts (excluding the Rebate Fund) established by the Indenture. Pursuant to the Loan Agreement between the College and the Issuer, the College is obligated to make payments equal to debt service on the Series 2017 Bonds. The aforementioned revenues consist of the payments required to be made by the College under the Loan Agreement with respect to the Series 2017 Bonds on account of the principal, Redemption Price of and interest on the Series 2017 Bonds.

To secure the Series 2017 Bonds, the Issuer will execute and deliver to the Trustee a Pledge and Assignment with an Acknowledgement thereof by the College, dated as of December 1, 2017, from the Issuer to the Trustee (the “Assignment”), which Assignment will assign to the Trustee certain of the Issuer’s rights (except the Unassigned Rights) under the Loan Agreement. Pursuant to the Assignment, loan payments made by the College under the Loan Agreement are to be paid directly to the Trustee.

The purchase of the Series 2017 Bonds involves a degree of risk. Prospective purchasers should carefully consider the entire Official Statement, including the material under the caption “BONDHOLDERS’ RISKS” herein.

The Series 2017 Bonds will be sold and delivered by the Issuer to Merrill Lynch, Pierce, Fenner & Smith Incorporated, 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 2017 Bonds, the Indenture, the Loan Agreement, the Assignment and the Pledge and Security Agreement are qualified in their entirety by the definitive forms thereof. Copies of the documents are available for inspection at the principal corporate trust office of the Trustee currently located at One M&T Plaza, 7<sup>th</sup> Floor, Buffalo, New York 14203.

## **THE SERIES 2017 BONDS**

### **Authorization**

The Series 2017 Bonds are authorized to be issued pursuant to Section 1411 of the Not-for-Profit Corporation Law of the State of New York (the “State”), as amended (the “Act”), the Issuer’s Certificate of Incorporation (the “Certificate”), and the Resolution.

### **General**

The Series 2017 Bonds will mature on October 1 of the years and in the amounts shown on the inside cover hereof. The Series 2017 Bonds will bear interest payable semi-annually on each April 1 and October 1, commencing April 1, 2018, at the rates per annum set forth on the inside cover hereof. The Series 2017 Bonds shall be issued without coupons in the denomination of \$5,000, or any integral multiple of \$5,000 in excess thereof.

The Series 2017 Bonds will be issued in fully registered form and when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as the securities depository (the “Securities Depository”) for the Series 2017 Bonds. Purchasers will not receive certificates representing their interest in the Series 2017 Bonds. See “Book-Entry Only System” below.

Subject to the provisions of the Indenture, the principal of and premium, if any, on the Series 2017 Bonds shall be payable in lawful money of the United States of America at the Office of the Trustee, or of its successor in trust. Interest on Series 2017 Bonds due on any Bond Payment Date shall be payable to the Person in whose name such Bond is registered at the close of business on the Regular Record Date with respect to such Bond Payment Date, irrespective of any transfer or exchange of such Bond subsequent to such Regular Record Date and prior to such Bond Payment Date, unless the Issuer shall default in the payment of interest due on such Bond Payment Date. In the event of any such default, such defaulted interest shall be payable to the Person in whose name such bond is registered at the close of business on a Special Record Date for the payment of such defaulted interest established by notice mailed by the Trustee to the Owners of Series 2017 Bonds not less than fifteen (15) days preceding such Special Record Date. Such notices shall be mailed to the Persons in whose name the Series 2017 Bonds are registered at the close of business on the fifth (5th) day preceding the date of mailing. Payment of interest on the Series 2017 Bonds will be made by (i) check or draft mailed to the address of the Person in whose name such Series 2017 Bonds are registered, as such address appears on the registration books

maintained by the Trustee, or (ii) at such other address furnished to the Trustee in writing by the Holder at least five (5) Business Days prior to the date of payment, or at the election of an Owner of at least \$1,000,000 aggregate principal amount of Series 2017 Bonds, by bank wire transfer to a bank account maintained by such Owner in the United States of America designated in written instructions delivered to the Trustee at least five (5) Business Days prior to the date of such payment, which written instructions may relate to multiple Bond Payment Dates.

### **Redemption Prior to Maturity**

Optional Redemption. The Series 2017 Bonds maturing on or after October 1, 2027 are subject to redemption by the Issuer at the option of the College on or after October 1, 2027, in whole or in part at any time, at a Redemption Price equal to 100% of the principal amount being redeemed, plus accrued interest, if any, to the Redemption Date.

The Trustee will call Series 2017 Bonds for redemption upon receipt of notice from the Issuer, or the College on behalf of the Issuer, directing such redemption, which notice shall be sent to the Trustee at least thirty (30) days prior to the Redemption Date or such fewer number of days as shall be acceptable to the Trustee and shall specify (i) the principal amount of Series 2017 Bonds so to be called for redemption, and (ii) the applicable Redemption Price.

Mandatory Sinking Fund Redemption. The Series 2017 Bonds maturing on October 1, 2037 and October 1, 2047 shall be subject to mandatory redemption on the sinking fund redemption dates and in the sinking fund redemption amounts set forth in the following table, at a Redemption Price equal to 100% of the principal amount thereof being redeemed plus accrued interest to the Redemption Date:

<b>Series 2017 Bonds Due October 1, 2037</b>	
Sinking Fund Redemption Dates	Sinking Fund Redemption Amounts
2035	\$1,405,000
2036	1,460,000
2037*	1,515,000

\* Maturity Date

<b>Series 2017 Bonds Due October 1, 2047</b>	
Sinking Fund Redemption Dates	Sinking Fund Redemption Amounts
2038	\$1,570,000
2039	1,640,000
2040	1,710,000
2041	1,090,000
2042	715,000
2043	750,000
2044	780,000
2045	810,000
2046	840,000
2047*	875,000

\* Maturity Date



Extraordinary Redemption. The Series 2017 Bonds are subject to redemption prior to maturity, at the option of the Issuer exercised at the direction of the College (which option shall be exercised upon the giving of notice by the College to the Issuer and the Trustee of its intention to prepay all amounts due under the Loan Agreement), as a whole, on any date, at a Redemption Price equal to one hundred percent (100%) of the unpaid principal amount thereof, plus accrued interest to the date of redemption, if one or more of the following events shall have occurred:

(i) Damage or destruction of all or any part (if damage or destruction of such part causes the College to be impracticable to continue to carry out its normal operations) of the College's operating assets as evidenced by an opinion of an Independent Engineer filed with the Issuer and the Trustee that (a) the damaged or destroyed operating asset(s) cannot be reasonably restored within a period of one (1) year from the date of such damage or destruction to the condition thereof immediately preceding such damage or destruction, (b) the College is thereby prevented or likely to be prevented from carrying on its normal operations for a period of one (1) year from the date of such damage or destruction, or (c) the restoration cost of such assets would exceed the total amount of all insurance proceeds, including any deductible amount, in respect of such damage or destruction; or

(ii) Title to, or the temporary use of, all or substantially all of the College's operating assets shall have been taken or condemned by a competent authority which taking or condemnation results, or is likely to result, in the College being thereby prevented or likely to be prevented from carrying on its normal operations for a period of one (1) year from the date of such taking or condemnation, as evidenced by an opinion of an Independent Engineer filed with the Issuer and the Trustee; or

(iii) As a result of changes in the Constitution of the United States of America or of the State of New York or of legislative or executive action of said State or any political subdivision thereof or of the United States of America or by final decree or judgment of any court after the contest thereof by the College, the Loan Agreement becomes void or unenforceable or impossible of performance in accordance with the intent and purpose of the parties as expressed therein or unreasonable burdens or excessive liabilities are imposed upon the College by reason of its operations.

If the Series 2017 Bonds are to be redeemed in whole as a result of the occurrence of any of the events described above, the College is required under the Loan Agreement to deliver to the Issuer and the Trustee a certificate of an Authorized Representative of the College stating that, as a result of the occurrence of the event giving rise to such redemption, the College has discontinued, or at the earliest practicable date will discontinue, its operation of the Facility for its intended purposes.

### **Notice of Redemption**

When Series 2017 Bonds are to be redeemed, the Trustee shall give notice of the redemption of the Series 2017 Bonds in the name of the Issuer stating: (1) the Series 2017 Bonds to be redeemed; (2) the Redemption Date; (3) that such Series 2017 Bonds will be redeemed at the Office of the Trustee; (4) that on the Redemption Date there shall become due and payable upon each Series 2017 Bond to be redeemed the Redemption Price thereof (except in the case of a mandatory sinking fund redemption under the Indenture, in which case the principal will be due and payable on the Redemption Date and the interest will be paid on such date as provided in Article II of the Indenture); and (5) that from and after the Redemption Date interest thereon shall cease to accrue. With respect to any optional redemption under the Indenture, any such notice of redemption will state that the redemption is conditioned upon receipt by the Trustee, on or prior to the Redemption Date, of moneys sufficient, together with any other moneys held by the Trustee and available therefor, to pay on the Redemption Date the Redemption Price

of the Bonds to be redeemed, and that if such moneys are not received on or prior to the Redemption Date such notice will be of no force or effect and such Bonds will not be required to be redeemed. The Trustee shall mail a copy of such notice postage prepaid, not less than thirty (30) days nor more than sixty (60) days prior to the Redemption Date, to each Holder at the address of such Holder appearing on the registration books of the Issuer, maintained by the Trustee, as Bond Registrar. Such mailing shall not be a condition precedent to such redemption, and failure to so mail any such notice to any of such Holders shall not affect the validity of the proceedings for the redemption of the Series 2017 Bonds.

### **Partial Redemption of Series 2017 Bonds**

Upon surrender of any Series 2017 Bond for redemption in part only, the Issuer shall execute and the Trustee shall authenticate and deliver to the Holder thereof a new Series 2017 Bond or Series 2017 Bonds of the same series in an aggregate principal amount equal to the unredeemed portion of the Series 2017 Bond surrendered.

### **Selection of Bonds for Redemption**

If less than all Series 2017 Bonds of a series are to be redeemed, the Series 2017 Bonds of such series to be called for redemption shall be selected by lot.

### **Book Entry Only System**

Unless otherwise noted, the description that follows of the procedures and record keeping with respect to beneficial ownership interests in the Series 2017 Bonds, payment of interest and other payments on the Series 2017 Bonds to DTC Participants or Beneficial Owners of the Series 2017 Bonds, confirmation and transfer of beneficial ownership interests in the Series 2017 Bonds and other bond-related transactions by and between DTC, the DTC Participants and Beneficial Owners of the Series 2017 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 2017 Bonds. The Series 2017 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 Bond certificate will be issued for each issue of the Series 2017 Bonds, each in the aggregate principal amount of such issue, 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 Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). 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](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of the Series 2017 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2017 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2017 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 2017 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 2017 Bonds, except in the event that use of the book-entry system for the Series 2017 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2017 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 2017 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2017 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2017 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. Beneficial Owners of Series 2017 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2017 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Series 2017 Bonds may wish to ascertain that the nominee holding the Series 2017 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2017 Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2017 Bonds unless authorized by a Direct Participant in accordance with DTC’s 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 the Series 2017 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 2017 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 or Trustee 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 nor its nominee, the Trustee, 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 or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2017 Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, then the Series 2017 Bonds shall no longer be restricted to being registered in the name of the Nominee, but shall be registered in whatever name or names Owners transferring or exchanging Series 2017 Bonds shall designate, in accordance with the provisions of the Indenture.

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 2017 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 2017 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 2017 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 2017 BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDOWNERS OR REGISTERED HOLDERS OF THE SERIES 2017 BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2017 BONDS.

## **Additional Bonds and Other Permitted Indebtedness**

### Additional Bonds

In accordance with the Indenture, the Issuer may issue Additional Bonds under the Indenture from time to time on a pari passu basis with the Series 2017 Bonds to (1) pay the cost of completing the Facility (or completing an addition thereto as provided in the Indenture) or to reimburse expenditures of the College for any such costs, (2) pay the cost of Capital Additions or to reimburse expenditures of the College for any such cost, (3) pay the cost of refunding through redemption of any Outstanding Bonds issued under the Indenture and subject to such redemption, or (4) pay the cost of any additional project approved by the Issuer.

Pursuant to the Indenture, prior to issuance of any such Additional Bonds, the College must deliver to the Trustee certain items, including, but not limited to, a certificate of an Authorized Representative of the College evidencing the College's Unrestricted Net Assets plus Temporarily Restricted Net Assets less Net Investment in Plant, all as shown on the College's most recent audited financial statements, will be at a level at least equal to one times (1.00x) its outstanding Indebtedness and proposed Indebtedness. See "APPENDIX D – Summary of Certain Provisions of the Indenture" herein. Subject to compliance with the terms of the Pledge and Security Agreement, such Additional Bonds may be secured on a parity basis with the Lien on the Pledged Revenues granted by the Pledge and Security Agreement, the Series 2008 Revenue Pledge, the Series 2011 Revenue Pledge and the Series 2013 Revenue Pledge.

### Parity Obligations

Pursuant to the Pledge and Security Agreement, the College may issue, incur or assume Indebtedness secured by a Lien on Pledged Revenues, which in the event of any default and acceleration or claim on the Pledged Revenues is pari passu with the Lien on the Pledged Revenues granted by the Pledge and Security Agreement, the Series 2008 Revenue Pledge, the Series 2011 Revenue Pledge and the Series 2013 Revenue Pledge, provided (1) such Indebtedness refunds or refinances all or a portion of any Indebtedness then outstanding or (2) the College provides to the Trustee a certificate of an Authorized Representative of the College evidencing the College's Unrestricted Net Assets plus Temporarily Restricted Net Assets less Net Investment in Plant, all as shown on the College's most recent audited financial statements, will be at a level at least equal to one times (1.00x) its outstanding Indebtedness and proposed Indebtedness. See "APPENDIX F – Summary of Certain Provisions of the Pledge and Security Agreement" herein. All Parity Obligations will also constitute additional Indebtedness as described in the next paragraph.

### Additional Indebtedness

Pursuant to the Loan Agreement, the College may issue, incur or assume Indebtedness, provided (1) such Indebtedness refunds or refinances all or a portion of any Indebtedness then outstanding or (2) the College provides to the Trustee a certificate of an Authorized Representative of the College evidencing the College's Unrestricted Net Assets plus Temporarily Restricted Net Assets less Net Investment in Plant, all as shown on the College's most recent audited financial statements, will be at a level at least equal to one times (1.00x) its outstanding Indebtedness and proposed Indebtedness. See "APPENDIX E – Summary of Certain Provisions of the Loan Agreement and the Pledge and Assignment" herein. Subject to compliance with the terms of the Pledge and Security Agreement, such additional Indebtedness may be secured on a parity basis with the Lien on the Pledged Revenues granted by the Pledge and Security Agreement, the Series 2008 Revenue Pledge, the Series 2011 Revenue Pledge and the Series 2013 Revenue Pledge.

## SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2017 BONDS

### Payment of the Series 2017 Bonds

The Series 2017 Bonds will be special and limited obligations of the Issuer. The principal, Redemption Price of and interest on the Series 2017 Bonds are payable solely from the revenues received by the Issuer pursuant to the Loan Agreement (other than with respect to the Unassigned Rights) and the Pledge and Security Agreement and all funds and accounts (excluding the Rebate Fund) established by the Indenture. Pursuant to the Loan Agreement between the College and the Issuer, the College is obligated to make payments equal to debt service on the Series 2017 Bonds. The aforementioned revenues consist of the payments required to be made by the College under the Loan Agreement with respect to the Series 2017 Bonds on account of the principal, Redemption Price of and interest on the Series 2017 Bonds. The payments required to be made by the College under the Loan Agreement are general obligations of the College. Pursuant to the Assignment, loan payments made by the College under the Loan Agreement are to be paid directly to the Trustee.

### Security for the Series 2017 Bonds

#### General

The Series 2017 Bonds will be secured by (1) all moneys and securities held from time to time by the Trustee for the Owners of the Series 2017 Bonds pursuant to the Indenture, including all Series 2017 Bond proceeds prior to disbursement pursuant to the terms of such Indenture (excluding monies held in the Rebate Fund), and (2) the Loan Agreement, as assigned to the Trustee (except the Unassigned Rights) pursuant to the terms of the Assignment.

#### The Pledge and Security Agreement

The payment obligation of the College under the Loan Agreement is secured by a pledge and security interest in the Pledged Revenues of the College pursuant to the Pledge and Security Agreement. The Pledged Revenues consist of all receipts, revenues, income, installment payments and other moneys received by or on behalf of the College, and all rights to receive the same whether in the form of accounts receivable, general intangibles, contract rights, chattel paper, instruments or other rights and the proceeds thereof, and any insurance proceeds and condemnation awards therefrom to the extent legally available therefor. The Lien on the Pledged Revenues granted pursuant to the Pledge and Security Agreement is on a parity basis with the Series 2008 Revenue Pledge, the Series 2011 Revenue Pledge and the Series 2013 Revenue Pledge. See “BONDHOLDERS’ RISKS” and “APPENDIX F - Summary of Certain Provisions of the Pledge and Security Agreement” herein.

### Financial Covenants

#### Expendable Resources Ratio

The College has covenanted in the Loan Agreement to maintain during each Fiscal Year Unrestricted Net Assets plus Temporarily Restricted Net Assets less Net Investment in Plant at a level at least equal to one times (1.00x) its outstanding Indebtedness, commencing with the Fiscal Year ending on June 30, 2018 (the “Expendable Resources Ratio”). Notwithstanding the preceding sentence, the Expendable Resources Ratio requirement will be deemed satisfied if on or prior to each Reporting Date commencing with the Fiscal Year ending on June 30, 2020, the College files with the Trustee a certificate of an Authorized Representative of the College stating whether at any of the two (2) out of the three (3)

immediately preceding Testing Dates the Expendable Resources Ratio requirement was satisfied and setting forth the calculations upon which such statement is based.

If the College fails to comply with the Expendable Resources Ratio requirement in any two (2) out of the three (3) immediately preceding Testing Dates, the College within ninety (90) days of the Reporting Date will prepare a preliminary report making recommendations with respect to its rates, operations, management and other matters as will enable the College to comply with such covenants within a reasonable period. Such report will be reviewed by the Board of Trustees within sixty (60) days of receipt of such report and will issue a final report setting forth in reasonable detail the steps the College proposes to take in response to the preliminary report. The College will deliver to the Issuer and the Trustee within forty-five (45) days of completion a copy of the final report.

If the College fails to comply with the Expendable Resources Ratio requirement in any three (3) out of the four (4) immediately preceding Testing Dates, the College will engage within sixty (60) days of the Reporting Date related to such failure a Management Consultant to review the rates, operations and management of the College and any other matter deemed appropriate and to make such recommendations with respect to such rates, operations, management and other matters as will enable the College to comply with such covenants within a reasonable period. The College will immediately notify the Issuer and the Trustee of such engagement.

Whenever a Management Consultant is required to be engaged by the College pursuant to the Loan Agreement, copies of the report and recommendations of such Management Consultant will be filed with the Issuer, the Trustee, the Board of Trustees of the College and an Authorized Representative of the College no later than one hundred twenty (120) days following the date of the engagement of such Management Consultant. The College will, to the extent feasible and in its discretion, promptly upon its receipt of such recommendations, and subject to applicable requirements or restrictions imposed by law, regulation or College contractual agreements, revise its tuition, fees and charges, its methods of operation or collections or its debt and investment management and will take such other action in response to such recommendations. The College will deliver to the Issuer and the Trustee within forty-five (45) days of receipt of such Management Consultant's report:

- (i) a report setting forth in reasonable detail the steps the College proposes to take in response to the recommendations of such Management Consultant; and
- (ii) a certified copy of a resolution adopted by the Board of Trustees of the College accepting both the Management Consultant's report and the report prepared by the College as required above; and
- (iii) the College will thereafter provide semi-annual reports demonstrating the progress made by the College in response to the recommendations of the Management Consultant.

If the College complies in all material respects with procedures set forth above, the College will be deemed to have complied with the Expendable Resources ratio requirement. At such time as the College is back in actual compliance with the Expendable Resources Ratio requirement, it will no longer need to provide the semi-annual reports described in subparagraph (iii) above.

#### Negative Pledge

The College has covenanted in the Loan Agreement that it shall not create or suffer to be created or exist upon any portion of the Facility, any Lien, other than Permitted Encumbrances.

### Additional Indebtedness

The College, under the Loan Agreement, may issue, incur or assume Indebtedness, provided (1) such Indebtedness refunds or refinances all or a portion of any Indebtedness then outstanding or (2) the College provides to the Trustee a certificate of an Authorized Representative of the College evidencing the College's Unrestricted Net Assets plus Temporarily Restricted Net Assets less Net Investment in Plant, all as shown on the College's most recent audited financial statements, will be at a level at least equal to one times (1.00x) its outstanding Indebtedness and proposed Indebtedness.

### **THE ISSUER**

The Issuer is a not-for-profit local development corporation duly organized and existing under Section 1411 of the Not-for-Profit Corporation Law of the State, as amended (the "Act"), having an office for the transaction of business at 50 W. Main Street, Suite 8100, Rochester, New York 14614. The Issuer has the authority and power to own, lease and sell personal and real property for the purposes of, among other things, acquiring, constructing and equipping certain projects exclusively in furtherance of the charitable or public purposes of relieving and reducing unemployment, promoting and providing for additional and maximum employment, bettering and maintaining job opportunities, instructing or training individuals to improve or develop their capabilities for such jobs, by encouraging the development of, or retention of, an industry in the community or area, and lessening the burdens of government and acting in the public interest. The Act further authorizes the Issuer to issue its bonds and to loan the proceeds thereof for the purpose of carrying out any of its corporate purposes and, as security for the payment of the principal and redemption price of and interest on any such bonds so issued and any agreements made in connection therewith, to pledge certain revenues and receipts to secure the payment of such bonds and interest thereon.

The Issuer has no power of taxation.

The Series 2017 Bonds are special and limited obligations of the Issuer, payable solely as provided in the Indenture.

THE SERIES 2017 BONDS ARE NEITHER A GENERAL OBLIGATION OF THE ISSUER, NOR A DEBT OR INDEBTEDNESS OF MONROE COUNTY OR THE STATE OF NEW YORK AND NEITHER MONROE COUNTY NOR THE STATE OF NEW YORK WILL BE LIABLE THEREON.

### **THE COLLEGE**

Nazareth College of Rochester is an independent, co-educational college with liberal arts and sciences and professional programs of study at the undergraduate and graduate levels.

Current total enrollment is 2,900 students, including 2,099 full-time and 95 part-time undergraduates and 706 full and part-time graduate students. The College has an undergraduate student-faculty ratio of 9:1. Approximately 82% of the College's faculty members hold the highest professional degree in their field.

The College is situated on 150 acres in Pittsford, New York, seven miles from Rochester, which is located on Lake Ontario between Buffalo and Syracuse. The campus consists of 23 buildings, including 11 residence halls, a 2,200 seat stadium and all-weather track, and the five-story Golisano Academic Center.



The College is governed by a self-perpetuating Board of Trustees. The by-laws of the College provide that the Board of Trustees shall consist of not more than 35 persons and not less than 5 persons, including the President of the College. The term of office of each member, other than the President of the College, is 3 years. See “APPENDIX A – Certain Information Concerning the College” and “APPENDIX B – Audited Financial Statements of the College.”

## **THE PROJECT**

The proceeds of the Series 2017 Bonds, together with any other available funds, will be used for the purpose of financing, refinancing and/or reimbursing a certain project (collectively, the “Project”) consisting of: (A)(i) the construction and equipping on the College’s main campus located at 4245 East Avenue in the Town of Pittsford, New York (the “Campus”) of an approximately 24,125 square-foot one (1) story addition to the existing approximately 122,277 square-foot one (1) story Nazareth College Arts Center facility (the “Arts Center”) to house the College’s new musical training and performance center including a 550-seat performance venue, lobby and outdoor patio space, parking space to accommodate approximately 273 vehicles, together with ancillary and related facilities and improvements, and related pedestrian walkways, site improvements and landscaping improvements (collectively, the “Arts Center Addition Improvements”); (ii) the construction and equipping on the Campus of an approximately 118,000 square-foot one (1) story athletic facility to house the College’s new athletic training center including classroom space, athletic offices, locker rooms, weight and training rooms, indoor track and artificial turf field, multi-purpose and convertible sport courts, indoor track events space, indoor 1,223-seating capacity and concession space, adjacent indoor and outdoor event space, parking space to accommodate approximately 264 vehicles, together with ancillary and related facilities and improvements, and related pedestrian walkways, site improvements and landscaping improvements (collectively, the “Athletic Training Center Improvements”); (iii) the replacement of the existing artificial turf at Golden Flyer Stadium located on the Campus (collectively, the “Stadium Field Renovation Improvements”, and collectively with the Arts Center Addition Improvements and the Athletic Training Center Improvements, the “New Money Improvements”); (iv) the acquisition and installation in and around the Improvements of certain items of machinery, equipment, fixtures, furniture and other incidental tangible personal property (collectively, the “New Money Equipment”, together with the New Money Improvements, the “New Money Facility”) and (v) the funding of capitalized interest related to the New Money Facility; (B) the refunding of a portion of the Series 2011 Bonds issued for the benefit of the College, the proceeds of which were allocable to (i) the financing of the construction and equipping on the Campus of an approximately 74,000 square foot four (4) story building to house the College’s math and science departments and the renovation and equipping of the approximately 6,234 square feet of space then used as science labs within the Smyth Hall building located on the Campus for reuse as office space and/or other instructional purposes (collectively, the “Series 2011 Facility”; and collectively with the New Money Facility, the “Facility”); (ii) the funding of a debt service reserve fund and capitalized interest and allocable to the financing of the Series 2011 Facility and (iii) the payment of certain costs and expenses incidental to the issuance of the Series 2011 Bonds and allocable to the financing of the Series 2011 Facility; and (C) paying certain costs and expenses incidental to the issuance of the Series 2017 Bonds.

## SOURCES AND USES OF BOND PROCEEDS

Proceeds of the Series 2017 Bonds are to be applied as follows:

<b>Sources of Funds:</b>	<u>Total</u>
Par Amount	\$31,645,000.00
Original Issue Premium (net)	1,155,499.00
Series 2011 Debt Service Reserve Fund	<u>668,615.86</u>
<b>Total Sources of Funds</b>	<b><u>\$33,469,114.86</u></b>
<b>Uses of Funds:</b>	
Deposit to Project Fund	\$14,603,746.00
Deposit to Capitalized Interest Account of the Project Fund <sup>(1)</sup>	754,212.69
Transfer to Series 2011 Refunding Escrow	17,281,658.57
Estimated Costs of Issuance <sup>(2)</sup>	<u>829,497.60</u>
<b>Total Uses of Funds</b>	<b><u>\$33,469,114.86</u></b>

<sup>(1)</sup> Capitalized interest is expected to pay a portion of the interest payments of the Series 2017 Bonds prior to the completion of the New Money Facility.

<sup>(2)</sup> Includes Issuer's fee, Underwriter's discount, printing costs, fees and expenses of the Trustee, fees of the rating agencies, legal fees and costs and other miscellaneous costs of issuance.

## **BONDHOLDERS' RISKS**

*The following is a discussion of certain risks that could affect payments to be made with respect to the Series 2017 Bonds. Such discussion is not 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 2017 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.*

### **General**

The Series 2017 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 2017 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 Rochester, 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.

### **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 90% 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. The Investment Committee of the Board of Trustees periodically reviews 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. 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 2017 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 raises 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 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 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 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).

## **Tax-Exempt Status Change**

Loss of tax-exempt status by the College could result in loss of tax exemption of interest on the Series 2017 Bonds and defaults in covenants regarding the Series 2017 Bonds and other related tax exempt debt would likely be triggered. The maintenance by the College of its Section 501(c)(3) tax-exempt status depends, in part, upon compliance with general rules in the Code and related United States Treasury regulations regarding the organization and operation of tax-exempt entities, including their operation for charitable and educational purposes and their avoidance of transactions that may cause their assets to inure to the benefit of private individuals.

## **Additional Bonds**

Additional Bonds may be issued under the Indenture and secured on a parity with the Series 2017 Bonds. See “APPENDIX D - Summary of Certain Provisions of The Indenture.”

## **Outstanding Parity Obligations**

The security interest in and lien on the Pledged Revenues granted pursuant to the Pledge and Security Agreement is on a parity basis with the Series 2008 Revenue Pledge, the 2011 Revenue Pledge and the Series 2013 Revenue Pledge. Although the Series 2017 Bonds are secured in part by the assignment to the Trustee of a security interest in the College’s Pledged Revenues, the obligations of the

College with respect to the \$9,030,000 County of Monroe Industrial Development Agency d/b/a Imagine Monroe Powered by COMIDA Variable Rate Civic Facility Revenue Bonds (Nazareth College of Rochester Project), Series 2008 (the “Series 2008 Bonds”) to JPMorgan Chase Bank, N.A. (the “Series 2008 Bank”) the provider of a letter of credit (the “Series 2008 Letter of Credit”) securing the Series 2008 Bonds or any successors thereto, have a pari passu interest in the Pledged Revenues in the event of a distribution to the College’s creditors in a bankruptcy, liquidation, reorganization or similar proceeding relating to the College or its property. The Series 2008 Letter of Credit securing the Series 2008 Bonds is secured by, among other things, a lien on and security interest in the Pledged Revenues on an equal and ratable basis with the Series 2011 Bonds, the Series 2013 Bonds (as defined below) and the Series 2017 Bonds. The obligations of the College with respect to (i) the Series 2011 Bonds and (ii) the \$18,200,000 Monroe County Industrial Development Corporation Revenue Refunding Bonds (Nazareth College of Rochester Project), Series 2013 (the “Series 2013 Bonds”) also have a pari passu interest in the Pledged Revenues in the event of a distribution to the College’s creditors in a bankruptcy, liquidation, reorganization or similar proceeding relating to the College or its property. Upon the occurrence of an event of default and acceleration under any of the Financing Documents related to the Series 2017 Bonds, the Series 2008 Bonds, the Series 2011 Bonds, the Series 2013 Bonds or any additional Parity Obligations that may be issued in the future, any distribution of Pledged Revenues to Holders of the Series 2017 Bonds shall be equal and ratable to the Series 2008 Bonds, the Series 2011 Bonds and the Series 2013 Bonds and any Parity Obligations hereafter issued, respectively.

#### **Financial Covenants Imposed by Terms of the College’s Indebtedness**

Certain of the College’s debt instruments, including, but not limited to, the Series 2008 Bonds, the Series 2011 Bonds, the Series 2013 Bonds and the Series 2017 Bonds, contain various covenants that include the requirement that the College maintain certain specified financial ratios. The College’s ability to meet such financial ratios may be affected by events beyond its control. A breach of any of these financial covenants could, if not waived by the credit support provider, if any, result in a default under certain of the College’s debt instruments, including the Loan Agreement. Upon the occurrence of an event of default under the various debt instruments, the lenders or the trustees thereunder could elect to declare all amounts outstanding thereunder, together with accrued interest, to be immediately due and payable. If the College was unable to repay those amounts, such lenders or trustees could proceed against the collateral granted to them to secure that indebtedness. If such lenders or trustees accelerate the payment, there can be no assurance that the assets of the College would be sufficient to repay in full such indebtedness and the other indebtedness of the College, including the payments required to be made under the Loan Agreement which secures the Series 2017 Bonds.

#### **Certain Matters Relating to Enforceability of the Indenture and 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 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 2017 Bonds**

There can be no assurance that there will be a secondary market for purchase or sale of the Series 2017 Bonds. From time to time there may be no market for the Series 2017 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.

### **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 2017 Bonds and the Issuer will not provide any such information. In accordance with the requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission, 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 eighty (180) days after the close of its fiscal year in each year commencing June 30, 2018 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events. 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 enumerated events, and the circumstances under which changes to this continuing disclosure undertaking may be made, are contained in the Continuing Disclosure Agreement, a copy of which is attached hereto as "EXHIBIT H – Form of Continuing Disclosure Agreement." This undertaking has been made in order to assist the Underwriter in complying with the Rule.

In connection with the issuance of the Series 2008, Series 2011 and Series 2013 Bonds, the College entered into similar continuing disclosure undertakings to provide, or to cause the dissemination agent designated in the applicable continuing disclosure undertaking (the "Dissemination Agent") to provide, to the MSRB for posting on EMMA, certain financial information, operating data and notice of certain listed events in accordance with the terms of such undertakings, including, for each fiscal year, the College's annual audited financial statements and updates of certain information contained in Appendix A of the Official Statement for the Series 2008, Series 2011 and Series 2013 Bonds.

The College submitted all required information to the Dissemination Agent on a timely basis. However, the following event notices relating to rating changes to third party credit enhancers were not

filed within the ten business days as required by the Rule: (i) on December 19, 2011, Moody's downgraded to Baa2, from Baa1, the insurance financial strength rating of National Public Finance Guaranty Corporation ("NPFGC") and changed its outlook from "developing" to "negative". Moody's also downgraded the rating of NPFGC's parent company, MBIA Inc., from Ba2 to Ba3 and placed the ratings of MBIA Insurance Corporation and subsidiaries under review for possible downgrade. MBIA Insurance Corporation provided financial guaranty insurance policies with respect to the County of Monroe Industrial Development Agency's Series 2001 and Series 2004 Bonds, respectively, that were issued on behalf of the College and are no longer outstanding. The College did not report these downgrades until June 29, 2016; (ii) on May 21, 2013, Moody's upgraded the insurance financial strength ratings of MBIA Insurance Corporation to B3 from Caa2, and NPFGC to Baa1 from Baa2. The College did not report these upgrades until June 29, 2016; (iii) on March 18, 2014, Standard & Poor's raised its financial strength rating on NPFGC to AA- from A and raised the counterparty credit rating on MBIA Inc. to A- from BBB. The College did not report these upgrades until April 22, 2014. In addition, for the Series 2011 Bonds the Dissemination Agent filed with the MSRB, but not on a timely basis, the College's audited financial statements and required operating data for the fiscal year ended June 30, 2012.

All annual financial statements, operating data and event notices posted on EMMA are current as of the date of this Official Statement.

The College has engaged Digital Assurance Certification, L.L.C., as dissemination agent, to file on a timely basis all financial information, operating data and notice of certain listed events described in the continuing disclosure undertakings for the Series 2008 Bonds, the Series 2011 Bonds, the Series 2013 and the Series 2017 Bonds. In addition, the College has in place internal procedures, to be overseen by the Controller of the College, intended to ensure that all required information is provided to the MSRB for posting on EMMA on a timely basis in accordance with the Rule.

## **TAX MATTERS**

### **Federal Income Taxes**

In the opinion of Harris Beach PLLC, Bond Counsel to the Issuer, and subject to the limitations set forth below, under existing statutes, regulations, administrative rulings and court decisions as of the date of such opinion, interest on the Series 2017 Bonds is excluded from gross income for federal income tax purposes, pursuant to Section 103 of the Internal Revenue Code of 1986 (the "Code"). Furthermore, Bond Counsel is of the opinion that interest in the Series 2017 Bonds is not an "item of tax preference" for purposes of computing the federal alternative minimum tax imposed on individuals and corporations. However, interest on the Series 2017 Bonds is included in "adjusted current earnings" for purposes of calculating the federal alternative minimum tax imposed on certain corporations. Corporate purchasers of the Series 2017 Bonds should consult with their tax advisors regarding the computation of any alternative minimum tax liability.<sup>1</sup>

The difference between the principal amount of the Series 2017 Bonds maturing on October 1 in the years 2028, 2029, 2030, 2033 and 2037 (collectively, the "Discount Bonds") and the initial offering price to the public at which price a substantial amount of such Discount Bonds of the same maturity is first sold, constitutes original issue discount, which is not included in gross income for federal income tax purposes to the same extent as interest on the Discount Bonds. The Code provides that the amount of original issue discount accrues in accordance with a constant interest method based on the compounding of interest, and that the basis of a Discount Bond acquired at such initial offering price by an initial

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<sup>1</sup> As further described below under "**Other Considerations**", legislation has been introduced, which, if enacted, would repeal the alternative minimum tax for tax years beginning after December 31, 2017.

purchaser of such an owner's adjusted basis for purposes of determining an owner's gain or loss on the disposition of a Discount Bond will be increased by the amount of such accrued original issue discount. A portion of the original issue discount that accrues in each year to an owner of a Discount Bond that is a corporation will be included in the calculation of such corporation's federal alternative minimum tax liability. Consequently, a corporate owner of any Discount Bond should be aware that the accrual of original issue discount in each year may result in a federal alternative minimum tax liability, even though the owner of such Discount Bond has not received cash attributable to such original issue discount in such year.<sup>2</sup>

The Series 2017 Bonds maturing on October 1 in the years 2018 through 2027, inclusive, 2031, 2032 and 2034 (collectively, the "Premium Bonds") are being offered at prices in excess of their principal amounts. As a result of the tax cost reduction requirements of the Code relating to amortization of bond premium, under certain circumstances, an initial owner of Premium Bonds may realize a taxable gain upon disposition of such Premium Bonds even though they are sold or redeemed for an amount equal to such owner's original cost of acquiring such Premium Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the tax consequences of owning such Premium Bonds.

The Code establishes certain requirements that must be met at and subsequent to the issuance and delivery of the Series 2017 Bonds in order that interest on the Series 2017 Bonds be and remain excluded from gross income for federal income tax purposes, pursuant to Section 103 of the Code. These continuing requirements include certain restrictions and prohibitions on the use of the proceeds of the Series 2017 Bonds and the Project, restrictions on the investment of proceeds and other amounts and the rebate to the United States of certain earnings in respect of such investments. Failure to comply with such continuing requirements may cause the interest on the Series 2017 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Series 2017 Bonds, irrespective of the date on which such noncompliance occurs. In the Indenture, the Loan Agreement, the Tax Compliance Agreement, and accompanying documents, the Issuer and the College have covenanted to comply with certain procedures, and have made certain representations and certifications, designed to assure compliance with the requirements of the Code. The opinion of Bond Counsel described above is made in reliance upon, and assumes continuing compliance with, such covenants and procedures and the continuing accuracy, in all material respects, of such representations and certifications.

Bond Counsel expresses no opinion regarding any other federal income tax consequences related to the ownership or disposition of, or the receipt or accrual of interest on, the Series 2017 Bonds. The proposed form of opinion of Bond Counsel is attached to hereto as Appendix G.

In addition to the matters referred to in the preceding paragraphs, prospective purchasers of the Series 2017 Bonds should be aware that the accrual or receipt of interest on the Series 2017 Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences may depend upon the recipient's particular tax status or other items of income or deduction. Bond Counsel expresses no opinion regarding any such consequences. Examples of such other federal income tax consequences of acquiring or holding the Series 2017 Bonds include, without limitation, that (i) with respect to certain insurance companies, the Code reduces the deduction for loss reserves by a portion of the sum of certain items, including interest on the Series 2017 Bonds, (ii) interest on the Series 2017 Bonds earned by certain foreign corporations doing business in the United States may be subject to a branch profits tax imposed by the Code, (iii) passive investment income, including interest on the Series 2017 Bonds, may be subject to federal income taxation under the Code for certain

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<sup>2</sup> As further described below under "**Other Considerations**", legislation has been introduced, which, if enacted, would repeal the alternative minimum tax for tax years beginning after December 31, 2017.



S corporations that have certain earnings and profits, and (iv) the Code requires recipients of certain Social Security and certain other federal retirement benefits to take into account, in determining gross income, receipts or accruals of interest on the Series 2017 Bonds. In addition, the Code denies the interest deduction for indebtedness incurred or continued by a taxpayer, including, without limitation, banks, thrift companies, and certain other financial companies to purchase or carry tax-exempt obligations, such as the Series 2017 Bonds. The foregoing is not intended as an exhaustive list of potential tax consequences. Prospective purchasers should consult their tax advisors regarding any possible collateral consequences with respect to the Series 2017 Bonds.

### **State Income Taxes**

In the opinion of Bond Counsel, under existing law as of the date of the issuance of the Series 2017 Bonds, for so long as interest on the Series 2017 Bonds is and remains excluded from gross income for federal income tax purposes, such interest is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof.

However, noncompliance with any of the federal income tax requirements set forth above resulting in the interest on the Series 2017 Bonds being included in gross income for federal tax purposes would also cause such interest to be subject to personal income taxes imposed by the State of New York or any political subdivision thereof.

Bond Counsel expresses no opinion regarding any other state or local tax consequences related to the ownership or disposition of, or the receipt or accrual of interest on, the Series 2017 Bonds.

Interest on the Series 2017 Bonds may or may not be subject to state or local income taxes in jurisdictions other than the State of New York under applicable state or local tax laws. Bond Counsel expresses no opinion as to the tax treatment of the Series 2017 Bonds under the laws of such other state or local jurisdictions. Each purchaser of the Series 2017 Bonds should consult his or her own tax advisor regarding the taxable status of the Series 2017 Bonds in a particular jurisdiction other than the State of New York.

### **Other Considerations**

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or omitted) or any events occurring (or not occurring) after the date of issuance of the Series 2017 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2017 Bonds.

Certain requirements and procedures contained in or referred to in the Indenture, the Loan Agreement, the Tax Compliance Agreement, and other relevant documents may be changed, and certain actions may be taken or omitted subsequent to the date of issue, under the circumstances and subject to the terms and conditions set forth in such documents or certificates, upon the advice of or with the approving opinion of a nationally recognized bond counsel. Bond Counsel expresses no opinion as to any federal, state or local tax consequences with respect to the Series 2017 Bonds, or the interest thereon, if such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Harris Beach PLLC.

No assurance can be given that any future legislation, including amendments to the Code or State income tax laws, regulations, administrative rulings, or court decisions, will not, directly or indirectly, cause interest on the Series 2017 Bonds to be subject to federal or State or local income taxation, or otherwise prevent Bondholders from realizing the full current benefit of the tax status of such interest. Further, no assurance can be given that the introduction or enactment of any such future legislation, or

any judicial decisions or action of the Internal Revenue Service or any State taxing authority, including but not limited to the promulgation of a regulation or ruling, or the selection of the Series 2017 Bonds for audit examination or the course or result of any Internal Revenue Service examination of the Series 2017 Bonds or obligations which present similar tax issues, will not affect the market price or marketability of the Series 2017 Bonds. For example, legislation is currently pending in the United States Congress which, if enacted into law would, among other things, reduce corporate income tax rates, change individual income tax brackets, and eliminate the federal alternative minimum tax, effective for tax years beginning after December 31, 2017. It is not possible to predict whether or in what form this legislation will be enacted into law. Prospective purchasers of the Series 2017 Bonds should consult their own tax advisors regarding the foregoing matters.

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

ALL PROSPECTIVE PURCHASERS OF THE SERIES 2017 BONDS SHOULD CONSULT WITH THEIR TAX ADVISORS IN ORDER TO UNDERSTAND THE IMPLICATIONS OF THE CODE AS TO THESE AND OTHER FEDERAL AND STATE TAX CONSEQUENCES, AS WELL AS ANY LOCAL TAX CONSEQUENCES, OF PURCHASING OR HOLDING THE SERIES 2017 BONDS.

#### **INDEPENDENT AUDITORS**

The financial statements for the College as of and for the years ended June 30, 2017 and 2016, set forth in Appendix B of this Official Statement, have been audited by Bonadio & Co., LLP, independent auditors, as set forth in their report thereon appearing in Appendix B of this Official Statement.

#### **RATINGS**

Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc. ("S&P"), have assigned ratings of "Baa2" and "BBB+," respectively, to the Series 2017 Bonds. Such ratings reflect only the views of such organization and any desired explanation of the significance of such ratings should be obtained from the respective rating agency. 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 2017 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 2017 Bonds or the proceedings or authority under which the Series 2017 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 2017 Bonds are subject to the approval of Harris Beach PLLC, Bond Counsel, whose approving opinion will be delivered with the issuance of Series 2017 Bonds. Certain legal matters will be passed upon for the Issuer by Harris Beach PLLC. Certain legal matters will be passed upon for the College by Harter Serest & Emery LLP. Certain legal matters will be passed upon for the Underwriter by Bond, Schoeneck & King, PLLC.

## **UNDERWRITING**

Merrill Lynch, Pierce, Fenner & Smith Incorporated (the “Underwriter”) has agreed, subject to certain conditions, to purchase the Series 2017 Bonds from the Issuer. The Underwriter’s obligation is subject to certain conditions precedent, and, if these conditions are met, the Underwriter will be obligated to purchase all the Series 2017 Bonds if any of the Series 2017 Bonds are delivered at a purchase price of \$32,623,681.50 which represents the par amount of the Series 2017 Bonds plus a net original issue premium of \$1,155,499.00 less the Underwriter’s Discount of \$176,817.50. The Series 2017 Bonds may be offered and sold to certain dealers (including dealers depositing such Bonds into unit investment trusts, certain of which may be sponsored or managed by an Underwriter) 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.

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriter and its affiliates may have, from time to time, performed and may in the future perform, various investment banking services for the College or the Issuer, for which they may have received or will receive customary fees and expenses. In the ordinary course of their various business activities, the Underwriter and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own accounts and for the accounts of its customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the College or the Issuer.

## **VERIFICATION OF MATHEMATICAL COMPUTATIONS**

Causey Demgen & Moore P.C., a firm of independent certified public accountants, will deliver its report indicating that it has verified the mathematical accuracy of the computations in the schedules provided by the Underwriter. Included in the scope of its verification report will be a verification of the mathematical accuracy of (a) the computations of the adequacy of the cash deposited with the trustee for

the advance refunding of the Series 2011 Bonds and paying of the interest and redemption price coming due on the Series 2011 Bonds on or prior to their respective redemption dates, and (b) the computations supporting the conclusion of the defeasance counsel that the Series 2011 Bonds are not “arbitrage bonds” under the Code and the regulations promulgated thereunder.

## MISCELLANEOUS

All the summaries of the provisions of the Series 2017 Bonds, the Indenture, the Loan Agreement, the Assignment, the Pledge and Security Agreement and the Continuing Disclosure Agreement set forth herein and all other summaries and references to such other materials not purporting to be quoted in full, are only brief outlines of certain provisions thereof and are made subject to all of the detailed provisions thereof, to which reference is hereby made for further information, and do not purport to be complete statements of any or of all such provisions of such documents.

All estimates and assumptions herein have been made on the best information available and are believed to be reliable, but no representations whatsoever are made that such estimates or assumptions are correct or will be realized. So far as any statements herein involve matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact. Neither this Official Statement nor any statement which may have been made orally or in writing with regard to the Series 2017 Bonds is to be construed as a contract with the holders of the Series 2017 Bonds.

The information set forth in this Official Statement, and that which follows in the Appendices, should not be construed as representing all the conditions affecting the Issuer, the College or the Series 2017 Bonds.

The Issuer has not assisted in the preparation of this Official Statement, except for the statements under the captions “INTRODUCTION – The Issuer”, “THE ISSUER” and “LITIGATION – The Issuer” herein and, except for those sections, the Issuer is not responsible for any statements made in this Official Statement. Except for the authorization, execution, and delivery of documents to which it is a party that are required to effect the issuance of the Series 2017 Bonds, and Issuer assumes no responsibility for the disclosures set forth in this Official Statement.

The Issuer and the College have authorized the execution and distribution of this Official Statement.

**MONROE COUNTY INDUSTRIAL DEVELOPMENT  
CORPORATION**

By: /s/ Jeffrey R. Adair  
Title: Executive Director

**NAZARETH COLLEGE OF ROCHESTER**

By: /s/ Patrick E. Richey  
Title: Vice President for Finance and Administration

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**APPENDIX A**

**CERTAIN INFORMATION CONCERNING THE COLLEGE**

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## THE COLLEGE

### General Information and History

In 1924, Nazareth College of Rochester (“Nazareth” or the “College”) was founded by the Sisters of St. Joseph as a Catholic women’s college committed to academic excellence. Enrollment at its original locations exceeded capacity and it moved to its present location in 1942. During these years of growth, the College was well known for educating local women as well as the daughters of professionals, ambassadors, and international figures. In the 1950s, the College responded to the need for graduate study by adding majors and by the 1970s, Nazareth was renowned for quality teacher education and social work. The College became coeducational and governmentally independent of the religious congregation in the 1970s, but it retained its original focus on academic excellence and the community engagement of the Sisters of St. Joseph: “serving all without distinction”.

In the early 2000s, the College acquired land adjacent to its campus, including the former Sisters of St. Joseph Motherhouse, which was converted into the Golisano Academic Center, housing classrooms and offices for many of the liberal arts faculty. This purchase doubled the size of the campus to 150 acres. Recent construction of the Clock Tower Commons residence hall, the state-of-the-art Peckham Hall for math and science, and the York Wellness and Rehabilitation Institute for allied health programs and community clinics are further evidence of the ongoing innovation and pursuit of excellence that exemplify Nazareth.

Today, Nazareth is an independent, co-educational college with liberal arts and sciences and professional programs of study at the undergraduate and graduate levels. Nazareth’s internationally known Hickey Center for Interfaith Studies and Dialogue promotes understanding for living peacefully in a diverse world. The Center for Civic Engagement is nationally recognized for meaningful work in the local, national, and global community and for service learning. Underscoring this focus, experiential learning is part of every student’s core curriculum. In 2016, the College founded the Center for Life’s Work that partners with students to create and start a path from college to careers and lives of meaning. Career coaches help students plan and integrate their academics, skills, and experiences with their passions.

Current total enrollment is 2,900 students, including 2,099 full-time and 95 part-time undergraduates and 706 full-time and part-time graduate students. The College has an undergraduate student-faculty ratio of 9:1. Approximately 82% of the College’s full-time faculty members hold the highest professional degree in their field.

### Mission

The mission of Nazareth is to provide a learning community that educates students in the liberal arts, sciences, visual and performing arts, and professional fields, fostering commitment to a life informed by intellectual, ethical, spiritual, and aesthetic values; to develop skills necessary for the pursuit of meaningful careers; and to inspire dedication to the ideal of service to their communities. Nazareth seeks students who want to make a difference in their own world and the world around them, and encourages them to develop the understanding, commitment, and confidence to lead fully informed and actively engaged lives.

### Vision

Nazareth will be nationally and internationally recognized as a comprehensive educational institution that provides its students with transformational experiences and integrates liberal arts, sciences, visual and performing arts, and professional education at the undergraduate and graduate levels and that places special value on student success, diversity, inclusion, civic engagement, and making a difference in local and global communities.

## Respect and Diversity

Nazareth College embraces a society that is both diverse and inclusive, and values both respect for the person and freedom of speech. Respect for the dignity of all people is an essential part of the College's tradition, mission, and vision for the future as we advance a socially just and equitable community. The College promotes civility and denounces acts of hatred, violence, and/or intolerance.

## Strategic Plan

The Naz 2020 Strategic Plan was recently updated in August 2017. Members of the Nazareth College Leadership Team have met regularly since early 2017 to identify specific short and long term college priorities that aligned with the Naz 2020 plan that was endorsed by the Board of Trustees in April 2012. The priorities identified will be a focus for existing faculty and staff committees and departments and will require further discussion and development.

- Academic Programs: Nazareth will further develop criteria for initiating new academic programs and evaluating program delivery opportunities. It will also explore adding programs in fields related to data analytics, quantitative analysis technology, and computing applications.
- Student Experience: Nazareth will holistically review and revise policies and procedures, and reimagine programming regarding campus and residential life that develops a stronger sense of belonging for students. This will include developing strategies for increasing undergraduate retention and graduation rates; exploring opportunities to enhance the distinctiveness of experiential learning and the Center for Life's Work; and support for experiential learning, including student research, study abroad, internships, work experiences, and civic engagement.
- The Role of Graduate Education at Nazareth College: Nazareth has established the Graduate Advisory Council that will help build institutional understanding of the strategic role of graduate education, determine enrollment goals for maintaining or growing the student population, and address graduate retention and graduation rates.
- Liberal Arts for the 21<sup>st</sup> Century: Nazareth will develop strategies and tactics that distinguish the liberal arts at the College in order to professionalize the liberal arts and simultaneously liberalize the professions. Strategies and tactics may include, but are not limited to, enhancing opportunities for experiential learning and creating modules/packages of liberal arts skill sets. In addition a communication plan regarding the liberal arts that articulates a unifying, cohesive, and distinctive message will be developed. A vision around global citizenship will include development of a plan that enhances or initiates curricular and co-curricular programs for the purpose of encouraging students to expand their critical, transformative perspective and active involvement.
- Diversity and Inclusion: As part of its efforts to promote diversity and inclusion, the College has developed partnerships with high performing urban high schools in New York City and elsewhere in the State, attracting many students from these schools. President Braveman also convened a committee for the purpose of recommending strategies for (1) recruiting and retaining a diverse student body; (2) recruiting and retaining a diverse faculty and staff; (3) educating students, faculty and staff about diversity and inclusion; and (4) creating and sustaining an inclusive environment for students, faculty and staff. The primary recommendation of this committee was to establish the position of Vice President for Diversity and Inclusion, which will be an officer of the college and staff the newly created Diversity and Inclusion committee of the Board of Trustees. Nazareth will complete its search for its first Vice President for Diversity and Inclusion and work to integrate the newly created position and division within the campus structure and community.
- Structural Issues: Nazareth College has eliminated the Division for Student Development and created the Division for Enrollment and Student Experience led by the newly created position of Vice President for Enrollment and Student Experience. This restructuring is designed to improve the

student residential experience and retention of all students. Nazareth will also work towards resolving outstanding questions and concerns regarding faculty workload, academic departments, academic college/schools, and leadership development.

- Pricing and Promotion for Enrollment: Nazareth will continue to review its pricing and marketing strategies to improve market position and address external pressures, including the New York State Excelsior Program.
- Stewardship of Resources: Nazareth will continue to implement technology solutions to improve financial management. The college has also established the college-wide Planning and Budget Council, which meets monthly to review financial performance and develop the annual operating budget. The college will routinely benchmark its financial performance against similar and aspirational institutions.

## Academic Offerings

The College offers 60 undergraduate majors and 71 undergraduate minors. The College's largest undergraduate majors are in the areas of health sciences, nursing, psychology, communication sciences & disorders, and inclusive education.

The College offers graduate programs in 23 areas of study, including one six-year program leading to the B.S. in Health Science and Doctor program of Physical Therapy, one five-year program leading to a B.S./M.S. in Speech Language Pathology, a collaborative program with the College at Brockport for a Master of Social Work, and a 3+3 Law degree through a partnership with Syracuse University.

The College is currently operating with a new core curriculum. Key aspects of the new core include a set of introductory courses in liberal arts disciplines that address enduring questions, three integrative studies courses and a required experiential learning component relating to a topic chosen by the student, and an interdisciplinary integrative milestone seminar. Vertical integration and the assessment of student development over time will be reinforced and supported by the use of electronic portfolios.

The College's Honors Program gives those students seeking extraordinary academic achievements the chance to enrich their educational experience through additional courses, interdisciplinary seminars and professional lectures, among other opportunities. Over the course of their time at Nazareth, honors students develop their intellectual prowess to the highest potential, culminating in a senior thesis and special recognition at graduation.

Nazareth has had considerable success in helping students receive Fulbright grants, and was ranked by the Chronicle of Higher Education as one of the top producers of Fulbright Students at Master's Institutions on the 2016-2017 list. Nazareth graduates have received 53 grants (18 in the past 5 years), with students going to 24 countries, including Andorra (1), Argentina (3), Australia (2), Belgium (2), Brazil (1), Colombia (1), Egypt (1), Finland (1), France (1), Germany (15), India (1), Israel (1), Italy (1), Lithuania (1), Malaysia (4), Nepal (1), New Zealand (1), Slovak Republic (1), South Korea (7), Spain (2), Sri Lanka (1), Sweden (1), Taiwan (2), and Venezuela (1). Within the past five years, one faculty member has also been named a Senior Fulbright Scholar.

## Undergraduate Degree Programs

Accounting	Marketing
Acting	Mathematics
American Studies	Modern Foreign Languages
Anthropology	Museums, Archives and Public History
Art Education	Music
Art History	Music Composition
Art Studio	Music Education
Biochemistry	Music Performance
Biology	Music Therapy

Biomedical Sciences  
 Business Management  
 Chemistry  
 Chinese  
 Clinical Laboratory Sciences  
 Communication and Media  
 Communication Sciences and Disorders  
 Community Youth Development  
 Dance Studies  
 Economics  
 Education, Adolescence  
 Education, Early Childhood and Elementary  
 English  
 Environmental Science and Sustainability  
 Finance  
 French  
 Health Sciences (Physical Therapy)  
 History  
 International and Global Studies  
 Italian  
 Law  
 Legal Studies

Music/Business  
 Musical Theatre  
 Nursing – Four Year Nursing Licensure Qualifying  
 Nursing – LPN to BS Program  
 Nursing - RN Completion  
 Occupational Therapy  
 Peace and Justice  
 Philosophy  
 Political Science  
 Psychology  
 Public Health  
 Religious Studies  
 Social Science  
 Social Work  
 Sociology  
 Spanish  
 Special Education  
 Technical Production  
 Theatre Arts  
 Toxicology  
 Visual Communication Design  
 Women and Gender Studies

### Graduate Degree Programs

American Studies  
 Art Education  
 Creative Arts Therapy – Art Therapy \*\*  
 Creative Arts Therapy – Music Therapy \*\*  
 Higher Education Student Affairs  
 Administration  
 Music Education  
 Performance and Pedagogy

Adolescence Certification for Career Change  
 Emphasizing Secondary Schools  
 Bilingual Education \*  
 Childhood/Early Childhood Education for  
 International Students  
 Deafness \*\*  
 Educational Technology  
 Gifted Education \*  
 Inclusive Adolescence Education  
 Inclusive Childhood Education  
 Law (3+3 with Syracuse University)

Inclusive Early Childhood Education  
 Instructional Technology \*\*\*  
 Interdisciplinary Specialty Program in Autism \*\*  
 Literacy Specialist  
 Music Education

TESOL  
 Teaching Students with Severe or Multiple Disabilities  
 \*\*\*\*

Physical Therapy

Social Work  
 Speech-Language Pathology

Business Organization and Management  
 Human Resource Development  
 Human Resource Management  
 Integrated Marketing and Communications  
 Management

### Combined Programs

B.S. in Health Science/D.P.T. in Physical Therapy  
 B.S. in Occupational Science/M.S. in Occupational Therapy  
 B.S./M.S. in Speech-Language Pathology  
 B.S./M.S.Ed Combined Program in Art Education

## Professional Studies

Education : Initial Teacher Certification in Art Education Birth-12  
Education : Initial Teacher Certification in Inclusive Adolescence Education  
Education : Initial Teacher Certification in Inclusive Early Childhood/Childhood Education  
Education : Initial Teacher Certification in Music Education Birth-12

\**Extension*  
\*\**Specialization*  
\*\*\**Advanced Certificate*  
\*\*\*\**Annotation*

## Recognition

Nazareth College is one of the nation's leading institutions for undergraduate education according to *The Princeton Review* and is featured in the 2018 edition of its annual college guide, *The Best 382 Colleges*. Nazareth is also ranked 9<sup>th</sup> for the Best Town-Gown Relations, which is one of the Princeton Review's breakout surveys. In the College's profile, Princeton Review states the classrooms are filled with "an array of professors that come from both theory backgrounds and real-world experience backgrounds." Peckham Hall, the math and science building, has "beautiful labs" for biology and chemistry and Nazareth has "great internship and clinical experiences." The School of Health and Human Services is also well known for its top-notch facilities that allow students to run clinics right on campus. Since 2011, Nazareth has been an active member of The New American College and Universities (NAC&U). NAC&U is a national consortium of twenty selective, small to mid-size independent colleges and universities dedicated to the purposeful integration of liberal education, professional studies and civic engagement.

Nazareth College rose seventeen spots to No. 27 on a list of the Best Master's Universities by the *2017 Washington Monthly College Rankings*. In addition, the College ranked No. 7 in community service participation and hours served. Nazareth students annually perform more than 273,000 hours of community outreach and service learning, and the College was one of five nationally named as a Presidential Awardee in the 2013 President's Higher Education Community Service Honor Roll, the highest honor a college or university can receive for its commitment to community service and civic engagement, and was a finalist for the award in 2011, 2014, and 2015. Nazareth also made the list of Washington Monthly's *Best Bang for the Buck* category at 224. This list includes schools that do the best job helping students earn marketable degrees at affordable prices, thus providing the best value to students and families.

*U.S. News & World Report* has again ranked Nazareth College in the top tier of colleges and universities in its 2018 edition of *U.S. News & World Report Best Colleges*. Nazareth moved up ten spots and is now ranked at No. 28 in the *Best Regional Universities-North* which covers eleven states and the District of Columbia. Nazareth College also made the guide's list of 2018 *Best Colleges for Veterans* where Nazareth resides in the No. 13 spot.

Nazareth College has been named a 2017 Military Friendly School by Victory Media. The top colleges, universities, community colleges and trade schools in the country are awarded this title for doing the most to embrace military students, and to dedicate resources to ensure their success in the classroom after graduation.

## Accreditation

The College is accredited by the Middle States Association of Colleges and Secondary Schools and is registered under the Board of Regents of the University of the State of New York. Various programs are accredited by:

- ❖ Accreditation Counsel for Occupational Therapy Education (ACOTE)
- ❖ American Music Therapy Association
- ❖ American Art Therapy Association
- ❖ Council for the Accreditation of Educator Preparation (CAEP)
- ❖ Council on Academic Accreditation in Audiology and Speech-Language (CAA)
- ❖ Council on Social Work Education (CSWE)

- ❖ Commission on Accreditation in Physical Therapy Education (CAPTE)
- ❖ Commission on Collegiate Nursing Education (CCNE)
- ❖ International Assembly Collegiate Business Education (IACBE)
- ❖ National Association of Schools of Music (NASM)

The College also holds membership in:

- ❖ American Association of Colleges of Nursing
- ❖ American Council on Education
- ❖ American Occupational Therapy Association
- ❖ American Physical Therapy Association
- ❖ American Speech-Language-Hearing Association
- ❖ Association for Prevention Teaching and Research
- ❖ Association of American Colleges and Universities
- ❖ Campus Compact: The Project for Public and Community Service
- ❖ National Association of Independent Colleges and Universities
- ❖ National League for Nursing
- ❖ The Association of Schools of Allied Health Professions
- ❖ The New American Colleges and Universities

## **Administration**

The President of the College is appointed by the Board of Trustees and, as chief executive officer, is principally responsible for the administration of the College. All other senior executive officers are nominated by the President and appointed by the Board of Trustees. The senior executive officers are listed below:

### ***Mr. Daan Braveman, President***

Mr. Braveman joined Nazareth in July 2005. Prior to that Mr. Braveman was Dean of the Syracuse University College of Law, which he joined in 1977. In addition, Mr. Braveman was a law clerk to Justice Samuel J. Roberts of the Pennsylvania Supreme Court and an attorney for the Greater Upstate Law Project. He received his Bachelor of Arts degree from the University of Rochester and Juris Doctorate from the University of Pennsylvania. Mr. Braveman was elected Chair by the New American Colleges and Universities (NAC&U) Board of Directors in June 2017 for the 2017-2018 fiscal year.

### ***Ms. Kelly Gagan, Vice President for Institutional Advancement***

Ms. Gagan joined Nazareth in September 2000 as the Director of Development. She was appointed Associate Vice President of Advancement in October 2005 and Vice President for Institutional Advancement in July 2006. Before coming to Nazareth, Ms. Gagan was Senior Associate Director at the Carter Center in Atlanta, Georgia. Ms. Gagan holds a Bachelor of Arts degree in English from Le Moyne College.

### ***Mr. Ian Mortimer, Vice President for Enrollment and Student Experience***

Mr. Mortimer joined the College in December 2013 as Vice President for Enrollment Management and was appointed Vice President for Enrollment and Student Experience in September 2017. He came to Nazareth with 20 years' experience in higher education enrollment management and marketing. Mr. Mortimer began his career in college admissions at St. Bonaventure University, along with American University and Walden University, before moving into higher education client services with enrollment management firms like Datatel, and Inside Track, Inc. Mr. Mortimer previously served as Vice President for Enrollment Management at Champlain College in Burlington, Vt., where he led all facets of the undergraduate and graduate enrollment operation. Mr. Mortimer earned his MBA from the Rochester Institute of Technology; and his Master's degree in counseling psychology and Bachelor of Arts degree in English from St. Bonaventure University.

***Mr. Patrick Richey, Vice President for Finance and Administration***

Mr. Richey joined the College in January 2014. Mr. Richey has 25 years of progressive experience in senior leadership roles for higher education and government organizations as a chief financial officer. Mr. Richey previously worked as Vice President for Business and Finance/Treasurer at Canisius College in Buffalo, N.Y. Prior to Canisius, Richey served as Vice President for Finance and Operations at Genesee Community College in Batavia, N.Y. He spent more than 15 years in local government management positions in several New York state municipalities. He earned his Master's in public administration from Syracuse University and earned his Bachelor of Arts degree from Le Moyne College.

***Dr. Andrea Talentino, Vice President for Academic Affairs***

Dr. Talentino began her role at the College in March 2017. She previously served as the Dean of the College of Liberal Arts at Norwich University in Vermont. She has worked at a number of colleges including as: the Associate Dean and a faculty member in the Political Science department at Drew University, a faculty member in the Political Science department at Tulane University, a Post-Doctorate student at Princeton University, and a Graduate student at the University of California, Los Angeles (UCLA). Dr. Talentino earned her Bachelor's degree in political science at Yale University, before completing a Master's and Doctorate in Political Science from UCLA.

**Governance**

The College is governed by a self-perpetuating Board of Trustees. The bylaws of the College provide that the Board of Trustees shall consist of not more than 40 persons and not less than 5 persons. Among the members shall be the President of the College. The term of office of each member, other than the President of the College, is 3 years. A Trustee may be re-elected for successive terms. After 3 full terms as a Trustee, the individual may be elected as Trustee Emeritus. A person elected Trustee Emeritus shall continue to be a member of the Board and to participate therein, but without vote on issues presented to the full Board.

Both the full Board and the Executive Committee meet four (4) times per year. Board Committees meet on a regular basis and as business warrants. There are 10 Board Committees: Academic Affairs, Audit, Buildings and Grounds, Diversity and Inclusion, Executive, Finance, Institutional Advancement, Investment, Enrollment and Student Experience, and Trusteeship.

**Trustees 2017-2018; Name and Principal Affiliation**

Mr. Jack Alloco, Composer, Rolling Hills, CA  
Ms. Colleen Arnold, Senior Vice President (*retired*), IBM, FL  
Ms. Sharon Bailey, SSI, Congregational President, Sisters of St. Joseph of Rochester, Inc., Rochester, NY  
Ms. Yolanda Ramos Benitez, Director of Priority Projects & Workforce Initiatives, Wegmans, Rochester, NY  
Mr. Daan Braveman, President, Nazareth College, Rochester, NY  
Mr. Steven Brown, Managing Director, Stifel-The Brown Group, Pittsford, NY  
Mr. Brian Cooper, Economist and Independent Scholar (*retired*), Rochester, NY  
Mr. James Costanza, President, Costanza Enterprises, Inc., Rochester, NY  
Mr. John Drain, Chief Financial Officer, Hearst Television, Inc., New York, NY  
Mr. Emil Duda, Senior Executive Vice President and Chief Financial Officer (*retired*), Excellus BCBS, Rochester, NY  
Mr. Sergio Esteban, Chair of the Board, Chief Executive Officer, LaBella Associates, PC, Rochester, NY  
Mr. Timothy Fournier, Vice Chair of the Board, Chairman and Chief Executive Officer, Conifer Realty, LLC, Rochester, NY  
Mr. Andrew Gallina, President, Gallina Development Corp., Rochester, NY  
Mr. Kenneth Glazer, Managing Partner, Buckingham Properties, Inc., Rochester, NY  
Mr. Warren Hern, President and Chief Executive Officer (*retired*), Unity Health System, Inc., Rochester, NY  
Mr. Brian Hickey, Executive Vice President Upstate NY Area, M&T Bank, Rochester, NY  
Ms. Bridgette Hobart, President, Paradigm Technology Consulting, LLC, E. Windsor, NJ  
Mr. Richard A. Kaplan, Chief Executive Officer, CurAegis Technologies, Rochester, NY

Mrs. Georgia Lamb, Chief Administrative Officer, EchoStone OpCo., LLC, Victor, NY  
Mr. William Lammela, Faculty Representative to the Board, Rochester, NY  
Ms. Judy Linehan, Community Volunteer, Rochester, NY  
Dr. Elizabeth McAnarney, Professor and Chair Emerita, Department of Pediatrics, University of Rochester, Rochester, NY  
Mrs. Kim J. McCluski, Consultant, Essential Strategies, Pittsford, NY  
Mr. Jett Mehta, Owner, Indus Hospitality Group, Rochester, NY  
Mr. Stephen D. Natapow, President, Natapow Management Group, Rochester, NY  
Mr. Mitchell S. Nusbaum, Partner, Woods Oviatt Gilman, Rochester, NY  
Ms. Sandy Parker, President and Chief Executive Officer (*retired*), Rochester Business Alliance, Pittsford, NY  
Mr. Larry Peckham, Owner (*retired*), LPA Software, Inc./Xelus, Webster, NY  
Mr. Richard F. Pierpont, Director of Sales, Transmit Security, Victor, NY  
Dr. Cynthia Reddeck-LiDestri, Vice President and Wellness Program Director, LiDestri Foods, Inc., Fairport, NY  
Dr. Coral Surgeon, President and Co-Managing Partner, Women Gynecology & Childbirth Associates, PC, Rochester, NY  
Mr. Hiry B. West III, Investor, Lancaster, PA  
Mr. Keith Wilson, Executive Vice President and Chief Financial Officer, Sweetwater Energy, Rochester, NY  
Mr. Frank York, Chief Executive Officer (*retired*), Global Communications Solutions, Inc., Pittsford, NY

## Facilities

The College is situated on 150 acres in Pittsford, New York, seven miles from Rochester, which is located on Lake Ontario between Buffalo and Syracuse. The campus consists of 23 buildings, including 11 residence halls, a 2,200-seat stadium and all-weather track, and the five-story Golisano Academic Center.

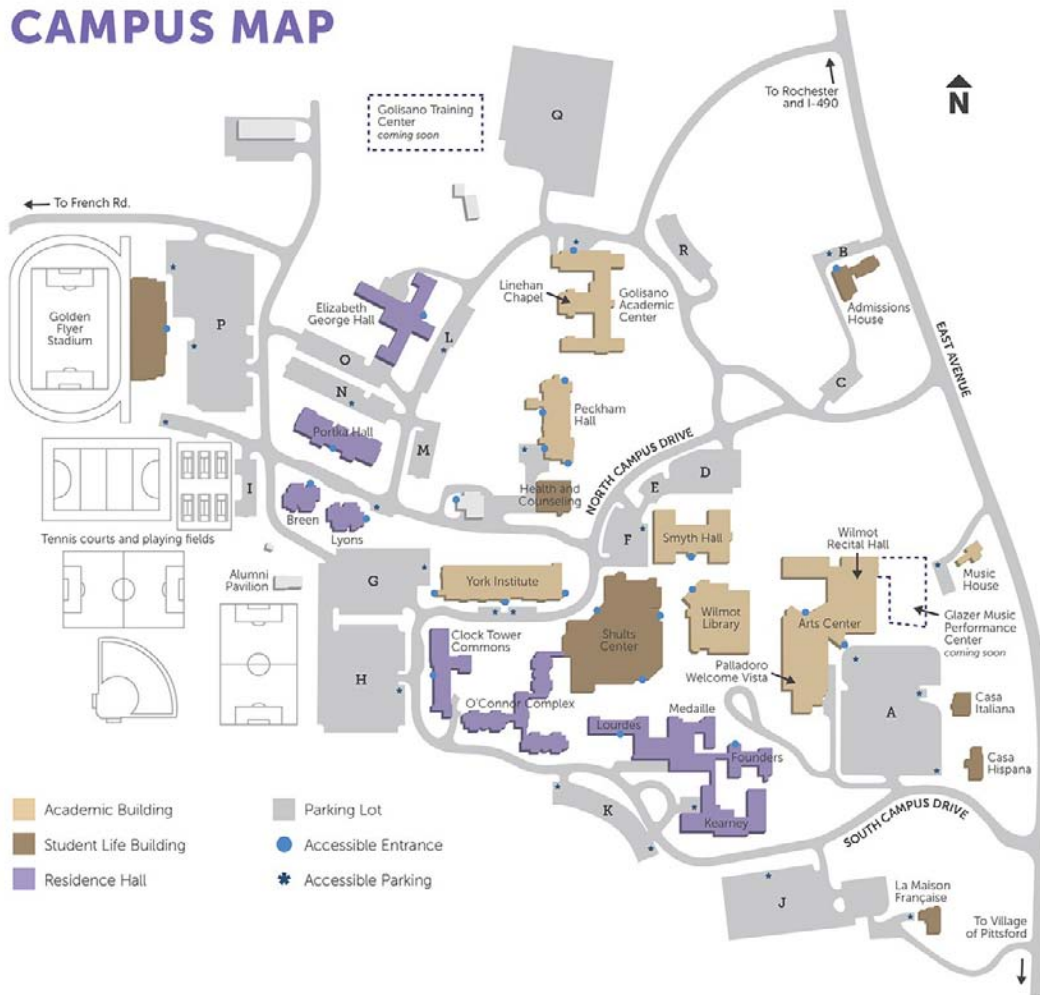
The School of Health and Human Services has developed into an educational environment that emphasizes inter-professional collaboration in both learning and delivery of services. Nazareth is the only Rochester-area college to offer a unique array of allied health professional programs, including physical therapy, occupational therapy, and speech-language pathology in conjunction with nursing, music therapy, play therapy, art therapy and social work. Its on-campus clinics and community outreach programs in the recently completed York Wellness and Rehabilitation Institute (YWRI) serve approximately 3,700 each year and promote learning and collaboration across disciplines. The YWRI facilitates student-faculty research through proximity and meeting spaces to improve health and wellness outcomes and clinical practice. Clients benefit from high quality, person-centered, inter-professional services at minimal to no cost. Students also benefit from educational partnerships with leading non-profits in off-campus outreach and field practice locations. The School of Education operates a reading clinic on-campus where elementary and secondary students, as well as adults from the community, may receive support in learning to read and write.

Peckham Hall, opened in 2012, is home to the Integrated Center for Math and Science. It plays an instrumental role in leading the way for Nazareth students to receive the very best in math and science education, enabling the College to increase the number of students who pursue majors in science and math fields, as well as those who pursue careers as health and human services professionals and teachers of math and science. It features multi-purpose research spaces (including state-of-the-art labs and classrooms), a range of support services and a variety of student centers. Peckham Hall was the first building on campus and in the town of Pittsford, New York, to achieve a Leadership in Energy & Environmental Design (LEED) – certified green building rating.

The York Wellness and Rehabilitation Institute opened in 2015. The \$15 million renovated building provides the best collaborative learning environments and clinic spaces among Northeast colleges of similar size. The York Institute doubles the clinic and collaboration space to 66,700 square feet, bringing all of Nazareth's health and wellness fields under one roof. It promotes learning and collaboration across disciplines such as nursing, speech-language pathology, occupational therapy, physical therapy, art, play and music therapy and social work. The York Wellness and Rehabilitation Institute facilitates student-faculty research through proximity and new meeting spaces to improve health and wellness outcomes and clinical practice. Clients benefit from high-quality, person-centered, inter-professional services at minimal to no cost.



The College Facilities Department maintains a schedule of required and deferred maintenance across the entire campus. Every three years the College's third-party facilities and maintenance provider prepares a comprehensive facilities condition assessment that guides the College's maintenance plans. The required and deferred maintenance is funded annually in the College's capital budget and by additional internal capital reserves as needed for more substantial projects.



<b>Academic and Administrative</b>	<b>Square Feet</b>
Golisano Academic Center	159,900
Arts Center	124,777
Shults Community Center	97,500
Smyth Hall	89,136
Peckham Hall	82,432
Wilmot Library	74,157
York Wellness & Rehabilitation Institute	66,714
Maintenance Facilities & Student Health Services	27,071
Athletic Stadium & Press Box	11,200
Admissions House	6,866
Casa Hispana	4,574
Music House	3,996
Casa Italiana	2,880
Guest House	2,000
<b>Total Academic and Administrative Facilities</b>	<b>753,203</b>
<b>Residence Halls</b>	<b>Square Feet</b>
Kearney Hall	97,277
George Hall	71,100
O'Connor Complex	61,113
Portka Hall	57,785
Clock Tower Commons	43,490
Lourdes Hall	37,779
Medaille Hall	33,750
Founders Hall	23,317
Lyons Hall	11,645
Breen Hall	11,645
Maison Francaise	8,572
<b>Total Residence Hall Facilities</b>	<b>457,473</b>
<b>Total All Facilities</b>	<b>1,210,676</b>

Residence halls and occupancy statistics for academic year 2017-18 are noted below:

<b>Residence Hall</b>	<b>Maximum Capacity</b>	<b>Current Occupancy</b>	<b>Percent Occupancy</b>
Kearney Hall	262	266	102%
George Hall	126	121	96%
O'Connor Complex	300	294	98%
Portka Hall	124	125	101%
Clock Tower Commons	148	147	99%
Lourdes Hall	133	144	108%
Medaille Hall	72	69	96%
Founders Hall	46	45	98%
Lyons Hall	32	32	100%
Breen Hall	32	32	100%
Maison Francaise	12	12	100%
<b>Total</b>	<b>1,287</b>	<b>1,287</b>	<b>100%</b>

The College has an extensive telecommunications and computing infrastructure to support a number of administrative and academic functions. Network and voice services operate over a high-speed fiber optic infrastructure which enables wireless access throughout all campus buildings. The College also has approximately 100 technology-enabled classrooms for instructional use.

## Operating Information

### Undergraduate Applications and Admissions

Identified in the table below are the numbers of freshman year applications received for admission to the College the past five academic years. Also included are the number of applications accepted and the number of full-time freshman year enrollments.

#### First Year Full-Time Applications and Enrollment

	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>
Applicants	3,840	4,185	3,677	4,116	4,493
Acceptances	2,625	2,950	2,778	2,968	2,815
Selectivity Ratio	68.3%	70.5%	75.6%	72.1%	62.7%
Matriculation	423	476	519	517	550
Matriculation Rate	16.1%	16.1%	18.7%	17.4%	19.5%

#### Median Combined SAT Scores\*

	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>
Median Combined SAT	1140	1140	1120	1140	1170

\*Beginning with the class entering fall 2007 submission of SAT scores is optional

#### Entering Class Rank

	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>
Top 10%	29.8%	23.0%	26.8%	23.6%	26.0%
Top 25%	64.4%	56.0%	58.0%	58.3%	59.0%
GPA Mean	3.4	3.4	3.4	3.5	3.5

#### Geographic Profile of Entering Freshmen by Percentage of Class

	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>
New York State	89.5%	91.0%	90.2%	86.1%	87.3%
Other United States	10.0%	8.2%	8.8%	12.9%	12.4%
Foreign	0.5%	0.8%	1.0%	1.0%	0.3%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

## Competition

The College competes for admission with a number of top-ranked national and regional colleges and universities. Based on overlapping applications, the College believes that its most significant competitors are:

<b><u>Institution</u></b>	<b><u>Tuition and Fees for 2017-2018</u></b>
Ithaca College	\$ 42,884
Le Moyne College	33,905
<b>Nazareth College</b>	<b>33,324</b>
St. John Fisher College	33,120
State University of New York at Geneseo	8,208

## Transfer Applications and Admissions

Transfer students make up an important part of the College's total enrollment. The following table reflects transfer applications and acceptances over the last five years:

	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>
Applicants	594	563	567	556	496
Acceptances	363	311	323	287	269
Selectivity Ratio	61.1%	55.3%	57.0%	51.6%	54.2%
Matriculation	166	138	136	137	121
Matriculation Rate	45.7%	44.4%	42.1%	47.7%	45.0%

## Graduate Applications and Admissions

Graduate enrollment is a vital part of the College's budget as revenue from graduate programs accounts for approximately one-third of total net tuition revenue. The following table reflects graduate applications and acceptances over the last five years:

	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>
Applicants	1,257	1,362	1,160	1,152	1,220
Acceptances	582	555	503	448	469
Selectivity Ratio	46.3%	40.7%	43.4%	38.9%	38.4%
Matriculation	307	324	255	225	283
Matriculation Rate	52.7%	58.3%	50.7%	50.2%	60.3%

## Student Enrollment

The College has averaged a full-time equivalent ("FTE") enrollment of approximately 2,639 students for the past five years. The following table provides the undergraduate and graduate headcounts, and totals for FTE students.

	<b>Full-time</b>		<b>Part-time</b>		<b>Total FTE*</b>
	<b>Undergraduate</b>	<b>Graduate</b>	<b>Undergraduate</b>	<b>Graduate</b>	
2013-14	1,901	392	133	397	2,583
2014-15	1,931	374	126	387	2,582
2015-16	1,974	397	134	366	2,642
2016-17	2,045	363	114	361	2,673
2017-18	2,099	370	95	336	2,716

\*Based on fall Census

## Student Diversity

The College continues to diversify its student body and encourages a community in which the diversity of all is respected. Further, the College is committed to providing the support necessary for students with diverse needs. Full-time undergraduate minority enrollment has increased from 13.1% in fall 2013 to 17.5% in fall 2017. Part-time undergraduate minority enrollment has increased from 12% in fall 2013 to 20% in fall 2017.

Graduate minority enrollment has increased from 12.7% in fall 2013 to 17.2% in fall 2017. The number of first-time full-time freshmen who are minority students has increased over the past five years from 14.4% in fall 2013 to 17.5% in fall 2017.

The College's undergraduate minority applications totaled 34% for fall 2017 compared to 30.8% in fall 2016. Currently, 19.2% of admitted students are minority students and the acceptance rate for minority students for fall 2017 was 35.3%.

## Retention

The chart below represents the percentage of fall freshmen continuing to their sophomore, junior and/or senior year. Continuation rate is the percentage of students in a given cohort who are enrolled the next fall term, but have not yet graduated. For example, 79.1% of the freshmen cohort for 2016-17 returned as sophomores in 2017-18.

### Fall Freshman Continuation Rates

	2013-14	2014-15	2015-16	2016-17	2017-18
Freshman to Sophomore	78.6%	83.5%	83.6%	84.6%	79.1%
Freshman to Junior	69.7%	76.6%	75.0%	76.1%	-
Freshman to Senior	65.3%	68.8%	70.6%	-	-

## Graduation

The College has seen fluctuations in the number of undergraduate degrees awarded primarily due to external factors affecting enrollment in the School of Education such as the challenging job market for teachers in New York State.

### Degrees Conferred by College

	2012-13	2013-14	2014-15	2015-16	2016-17
Undergraduate Degrees	516	476	487	476	463
Graduate Degrees	329	326	257	312	291
Doctoral Degrees	42	43	49	54	55
<b>Total</b>	<b>887</b>	<b>845</b>	<b>793</b>	<b>842</b>	<b>809</b>

## Tuition and Fees

Tuition and fees, net of scholarships and grants, and room and board account for approximately 89% of the College's operating revenue in fiscal year 2017. Tuition, room and board charges, and activity fees for the last five years are listed below:

### Student Charges – Full-Time Undergraduates

	2013-14	2014-15	2015-16	2016-17	2017-18
Tuition	\$28,146	\$29,244	\$30,120	\$31,024	\$31,924
Room	6,700	6,918	7,108	7,230	7,370
Board	5,340	5,548	5,710	5,820	5,940
Fees	1,278	1,318	1,400	1,400	1,400
<b>Total</b>	<b>\$41,464</b>	<b>\$43,028</b>	<b>\$44,338</b>	<b>\$45,474</b>	<b>\$46,634</b>

### Student Charges – Part-Time Undergraduates and Graduates\*

	2013-14	2014-15	2015-16	2016-17	2017-18
Part-Time Undergraduate	\$ 671	\$ 697	\$ 718	\$ 740	\$ 760
Graduate-General	798	829	854	880	905
Graduate – MSW**	672	703	737	750	765
Graduate – DPT (Full-time)***	33,912	35,220	36,276	37,350	38,430
Graduate – DPT***	1,130	1,174	1,209	1,245	1,281

\* Per credit hour rates unless noted otherwise

\*\* Master in Social Work

\*\*\* Doctor of Physical Therapy

## Student Financial Aid

In the academic years listed below, the College administered a student aid program under which approximately 90% of undergraduates received aid. This program was comprised of the following components:

### Sources of Undergraduate Scholarship and Grant Aid

	2012-13	2013-14	2014-15	2015-16	2016-17
Scholarships*	\$19,208,532	\$19,482,221	\$21,148,722	\$22,506,375	\$25,339,409
Supplemental Educational Opportunity Grants	156,663	116,091	121,900	126,143	116,071
Educational Opportunity Program	2,140,525	2,128,657	2,053,914	2,690,721	2,486,311
PELL	2,662,124	2,627,169	2,782,811	2,736,885	2,648,630
Federal TEACH	308,500	148,653	80,860	55,541	47,279
<b>Total</b>	<b>\$24,476,344</b>	<b>\$24,502,791</b>	<b>\$26,188,207</b>	<b>\$28,115,665</b>	<b>\$30,637,700</b>

\* Undergraduate and Graduate

### Five-Year Discount Rate for Incoming Freshmen

2013-14	2014-15	2015-16	2016-17	2017-18
46.3%	49.3%	46.6%	48.5%	48.0%

Undergraduate scholarships were provided to students in amounts from \$250 to \$35,662 per year, and were awarded primarily based on merit, but used to meet need whenever possible. In addition to the above programs, students at the College are eligible for Perkins loans (NDSL), Federal Direct Loans (DL) and if residents of New York State, the Tuition Assistance Program (TAP). Students may also seek outside private sources for borrowing.

The College also benefits from New York's Bundy Aid Program, which pays aid, unrestricted as to use, to certain institutions of higher education based on the number of academic degrees conferred each year. For the 2016-17 fiscal year, the College received \$244,299 from the program based on 476 undergraduate, 312 graduate and 54 doctorate degrees awarded in 2016. Future payments by the State are dependent on the enactment of annual appropriations and the ability of the State to pay the sums appropriated.

## Faculty Profile and Headcount

Total full-time faculty members currently employed by the College as of fall 2017 numbered 180; approximately 61% of the full-time faculty members hold tenure. The majority of the College's full-time faculty is appointed within one of the three principal academic ranks: Professor, Associate Professor and Assistant Professor. The student/faculty ratio is 9:1. The following table sets forth the faculty profile for the past four academic years and the current year.

### Faculty Profile

	2013-14	2014-15	2015-16	2016-17	2017-18
Total Full-Time Faculty	176	183	180	183	180
Percent Tenure	70%	63%	65%	66%	61%
Percent Holding Terminal Degrees	88%	87%	86%	87%	82%
Student/Faculty Ratio	9:1	9:1	9:1	9:1	9:1

## Faculty Diversity

The Office for Diversity and Inclusion plays a key role in efforts related to diversity and inclusivity issues, and along with senior staff establishes realistic goals for the institution. The faculty and administration have worked diligently to have a more diverse faculty, staff and student body through their recruiting and retention efforts. These efforts have been met with modest success as is indicated by the following figures:

	Fall 2013	Fall 2014	Fall 2015	Fall 2016	Fall 2017
Full-Time	176	183	180	183	180
Male	64	67	65	64	64
Female	112	116	115	119	116
Diverse	22	22	25	24	22
Percent Diverse	12.5%	12.1%	13.9%	13.1%	12.2%

Further, Nazareth's current faculty includes individuals whose national origin is Argentina, Bangladesh, Canada, China, Costa Rica, Dominican Republic, France, Hong Kong, India, Italy, Jordan, Kenya, Latin America, Spain, Sri Lanka, and Sweden.

## Financial Information

### Accounting Matters

The College operates on a fiscal year ending June 30. The Accounting Standard Codification (ASC) 958, *Financial Statements of Not-For-Profit Organizations*, establishes standards for external financial statements provided by a not-for-profit organization. The purpose of ASC 958 is to present the statements of the College as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. The College prepares its financial statements in accordance with ASC 958 and breaks down its net assets into three classifications: permanently restricted, temporarily restricted and unrestricted.

Permanently restricted net assets are net assets 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 income earned on related investments for general or specific purposes. This category consists primarily of the corpus of gifts of the restricted endowment fund. Restricted endowment funds are subject to the restrictions of gift instruments requiring in perpetuity that the principal be invested and that only capital gains and income may be utilized. The College adopted [investment and spending policies pursuant to] the New York Uniform Prudent Management of Institutional Funds Act that was enacted in New York State in September 2010.

Temporarily restricted net assets are net assets subject to donor-imposed stipulations that may be met by actions of the College and/or the passage of time. This category consists of specifically restricted contributions, earnings, and capital gains.

Unrestricted net assets are net assets not subject to donor-imposed stipulations. Generally, this represents all other net assets not specifically restricted under permanently or temporarily restricted net assets.

The financial statements as of June 30, 2017 and 2016 and for the years then ended have been audited by Bonadio & Co., LLP, independent accountants, as stated in their report. The College received an unmodified audit opinion for both years.

## Financial Management Discussion

The College has a long history of fiscal responsibility, efficient controls, and balanced budgets. As a matter of practice, the College constructs an annual operating budget in which projected expenditures plus provisions for (i) debt service on long-term debt, (ii) a capital budget allocation for physical plant renewals and replacements, and (iii) planned contingencies are balanced by an equivalent or greater amount of projected revenues. The most recent operating budget recognized an increase in full-time enrollment and stabilization in other

enrollment categories, and continued to focus on the College’s strategic goals, academic mission, and the opportunities offered by effective stewardship of the Colleges’ available financial resources. The budget presents a sustainable financial model that enables Nazareth to provide high quality and innovative education at a cost that ensures access for its students.

The fiscal year 2018 operating budget approved by the Board of Trustees totals \$80 million. Revenue expectations and expenditure commitments remain modest and are similar to actual experience. Full-time undergraduate enrollment levels have increased modestly despite demographic challenges.

The College commits significant resources to providing unrestricted financial aid to its students. The financial aid budget has grown approximately \$4.98 million, or 21.8%, over the last five budget years to \$27.8 million in fiscal year 2018; the overall undergraduate discount rate has increased from 39.4% to 44.4% to manage external market demands. This continues to be an area that is reviewed and managed carefully both on a continuous basis during the academic year and annually at budget time.

An important factor in the financial picture is the enrollment trends. The College has averaged a full-time equivalent (“FTE”) enrollment of approximately 2,639 students for the past five years. In 2017-18 the FTE enrollment is 2,716. The College has made targeted budget commitments to enrollment and student financial aid. The college has also reimagined the divisions of Enrollment Management and Student Development into a combined effort of Enrollment and Student Experience. Continued targeted marketing efforts seek to promote student access, retention and success while enabling the College to become more efficient and better positioned to take advantage of future innovation and investment.

Looking back at the most recently completed fiscal year; the College has had steady increases in its revenue streams from philanthropic gifts and investment income and gains. These two operating revenue lines totaled \$3.1 million in fiscal year 2017 compared to \$1.2 million in fiscal year 2013. Total operating revenue has increased 12.9% from \$73.2 million in fiscal year 2013 to \$82.6 million in fiscal year 2017 despite growing external market pressures.

The College has experienced operating budget surpluses that have allowed it to complete one-time projects, explore new strategic initiatives, and allocate additional funds to its unrestricted quasi-endowment. Management is currently projecting an operating budget surplus for 2017-18 of approximately \$1 million.

Over the last five years the College was able to recognize surpluses despite certain enrollment challenges due to responsible stewardship of the College’s resources by the community as a whole and growth in non-enrollment dependent revenue sources, such as gifts and investment income. The two most recent fiscal years reflect a surplus from not only expense savings but also revenue growth reflecting the positive impact enrollment management and marketing efforts have had on the budget results. The operating budget surpluses over the last five years are as follows:

<u>Fiscal Year</u>	<u>Operating Budget Surplus</u>
2016-17	\$ 3,040,000
2015-16	4,200,000
2014-15	3,170,000
2013-14	2,680,000
2012-13	297,000

For longer-term financial planning the College utilizes Future Perfect, a financial projection model, that enables the College to view the financial impact of changes in key variables such as enrollment, cost of attendance, endowment return and spending rates, salaries and benefits, staffing levels, student financial aid, and various expense components. The model also allows several variables to be bundled to form a project, such as a faculty workload initiative, comprehensive campaign or construction project. The project is modeled as active to determine the financial impact and effect on dependencies and related variables. Management can use this baseline data and perform sensitivity analysis to understand how variables change with a change in a major initiative. Management



presents the results of its analysis to the trustees prior to approving major construction initiatives and did so most recently with approval to construct and finance the music performance center and athletic training center.

In September 2015, Nazareth unveiled the York Wellness and Rehabilitation Institute. The project was \$15 million and doubled the clinic and collaboration space to 66,700 square feet. The York Wellness and Rehabilitation Institute provides a progressive inter-professional teaching and learning environment where students and faculty collaborate in clinical services, research, and the development of innovative practices. This project was funded entirely through philanthropic gifts and internal capital reserves. Also in September 2015, the College opened the expanded and renovated nursing department facilities. The renovations resulted in state-of-the-art nursing skills labs, new classrooms, and SIM labs which align with our vision to provide the highest level of education, experience and technology for our students. This project totaled \$3.6 million and was funded from internal capital reserves and state grants.

The Board of Trustees recently approved two significant capital construction projects that will have a far reaching impact on the College and community. First is a 550 seat, \$15.5 million music performance center, which will advance the study and performance of music, and support the Greater Rochester community. The fundraising goal for this project is \$6 million. To-date, \$5.7 million has been committed. The goal is to complete fundraising for this project by the end of calendar year 2017. The College broke ground in spring 2017 and anticipates the facility opening in 2018. The second capital expansion project is a new \$23.5 million athletic training center. A lead naming gift of \$7.5 million has been secured for this project. The remaining cost of the projects will be funded through internal capital reserves and the Series 2017 Bonds.

## Historical Operating Results

Set forth below is a summary of the College's unrestricted operating surplus available for debt service for the fiscal years indicated:

	2013	2014	2015	2016	2017
Change in unrestricted net assets	\$7,951,236	\$13,768,623	\$4,990,731	\$1,996,707	\$10,472,000
Less excess (or plus deficiency) of total unrestricted investment return over unrestricted spending policy	(2,468,716)	(4,257,449)	2,314,359	4,273,800	(3,204,418)
Less: Net assets released from restrictions	(2,259,680)	(4,518,363)	(5,029,404)	(2,598,593)	(1,851,268)
Other	(2,725,232)	(1,700,368)	995,481	982,279	(2,542,111)
Unrestricted operating surplus	497,608	3,292,443	3,271,167	4,654,193	2,874,203
Plus depreciation	7,405,413	7,562,124	7,537,288	8,158,976	8,444,422
Plus interest expense	2,123,470	2,024,487	1,957,672	1,883,919	1,810,147
Unrestricted operating surplus available for debt service	\$10,026,491	\$12,879,054	\$12,766,127	\$14,697,088	\$13,128,772

## Fundraising Efforts: Gifts and Grants

The division of Institutional Advancement is responsible for developing and executing plans for fundraising to support the annual fund, endowment, and capital expenditures. The annual fund supports the College's highest priorities in the operating budget, from financial aid and international experiences to library resources and lab equipment. Endowment gifts support scholarships and faculty chair positions among other priorities.

The College's last capital campaign ended in 2014 after seven years, and was the largest in its history with \$51 million raised. In the three years since the close of the campaign \$25.6 million in new gifts and commitments have been secured, averaging \$8.5 million per year.

Fundraising efforts continue to be focused on the annual fund, endowment and capital expenditures. The annual fund goal in 2017-18 is \$1 million and reflects a 7% increase over the 2016 amount. Over the last five years the annual fund has grown from \$688 thousand in fiscal year 2013 to \$937 thousand in fiscal year 2017. The Board of Trustees has had 100% annual fund participation the last two years and this is a goal for 2018 as well. The College is launching a Legacy Campaign with a goal of securing \$9 million in new documented planned gifts over the next three years. The primary focus of this initiative is to grow the endowment.

Institutional Advancement's fundraising efforts for capital expenditures are concentrated on the music performance center and athletic training facility. The music performance center is estimated to cost \$15.6 million with a fundraising goal of \$6 million and \$5.7 million secured to date including a leading naming gift. The athletic training facility is estimated to cost \$23.5 million with a fundraising goal of \$12 million and \$8.1 million in commitments to date.

The following table shows the total amounts of private gifts, grants and contracts, and bequests received by the College and their allocations during the fiscal year indicated:

	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Unrestricted	\$1,095,150	\$3,010,364	\$1,225,705	\$1,626,254	\$2,110,472
Temporarily restricted	1,978,375	7,567,239	2,788,116	570,506	9,921,817
Permanently restricted	303,901	495,740	667,565	803,690	1,501,490
<b>Total</b>	<b>\$3,377,426</b>	<b>\$11,073,343</b>	<b>\$4,681,386</b>	<b>\$3,000,450</b>	<b>\$13,533,779</b>

## Net Assets

The College's endowment assets and other investments are included as part of the College's net assets in its financial statements. By the nature of restrictions placed on some funds by donors, certain net assets are expendable while others cannot be expended. The following table reflects the College's total net assets and expendable net assets as of June 30 for the years indicated.

	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Total net assets	\$153,138,919	\$172,178,847	\$174,024,661	\$172,125,755	\$193,532,066
Less: Permanently restricted	15,483,890	15,982,287	16,660,627	17,461,396	18,992,184
Less: Net investment in plant	78,975,587	82,566,154	91,323,769	93,952,457	99,630,615
Expendable net assets	<b>\$58,679,442</b>	<b>\$73,630,406</b>	<b>\$66,040,265</b>	<b>\$60,711,902</b>	<b>\$74,909,267</b>

## Endowment Assets and Other Investments

The market value of the College's endowment assets and other investment assets as of June 30, for the years indicated, is summarized in the table below. Endowment assets include cash and investments. The Board of Trustees approves the spending rate, which has historically been 5.4% and based on the 12-quarter moving average of the market value of the endowment. While quasi-endowment assets can be utilized by the College for operating expenditures, if necessary, and at the discretion of the Board of Trustees, the assets contributed to the College as true endowment cannot be so utilized.

	2013	2014	2015	2016	2017
True Endowment	\$20,864,639	\$23,360,291	\$22,744,962	\$21,078,889	\$23,477,918
Quasi Endowment	38,982,330	44,461,264	42,373,361	38,515,003	42,182,882
Other	12,019	15,100	45,462	2,650	59,155
<b>Total</b>	<b>\$59,858,988</b>	<b>\$67,836,655</b>	<b>\$65,163,785</b>	<b>\$59,596,542</b>	<b>\$65,719,955</b>

As of June 30, 2017, the market value of the College's endowment portfolio was \$65.7 million. The portfolio had a one-year gain of 13.0%, three-year gain of 2.1%, five-year gain of 6.6%, and ten-year gain of 3.6%.

## Investment Policy and Allocation

The College's Board of Trustees, acting principally through its Investment Committee, oversees the investment of the College's endowment assets including establishing and updating the College's investment policy and monitoring its endowment investment activities.

The financial objective of the endowment portfolio is to provide a sustainable level of revenue distribution in support of the College's operating budget while preserving the purchasing power of the remaining invested assets. The endowment portfolio is expected to attain average annual investment returns (net of fees), which exceed the appropriate composite benchmark over a three to five year period.

Nazareth's investment policy is based upon modern portfolio theory, which holds that diversification across asset classes (and across securities within asset classes) serves to reduce overall portfolio volatility. The portfolio's asset allocation is constructed to reflect its long-term time horizon. The use of diversification within the portfolio is designed to provide reasonable assurance that no single security or class of securities will have a disproportionate impact on the performance of the total endowment.

The College's one-year endowment performance as of June 30 has beat the National Association of College and University Business Officers (NACUBO) equal-weighted mean two of the past four years.

	2013	2014	2015	2016	2017
Nazareth College	12.0%	15.7%	-0.7%	-5.6%	13.0%
NACUBO Equal Weighted Mean	11.7%	15.5%	2.4%	-1.9%	

The table below summarizes the College's investment allocation parameters established by its investment policy and lists the actual asset allocations as of June 30, 2017.

	Approved Allocation Targets	% Allocations
Flexible Capital	30.0%	30.0%
International Equities	24.5%	27.3%
Domestic Equities	20.5%	22.6%
Inflation Hedging	10.0%	9.8%
Global Fixed Income	10.0%	9.2%
Private Equity	5.0%	1.1%
	100.0%	100.0%

## Indebtedness of the College

As of June 30, 2017, the College had \$39,861,003 in long-term debt comprised of \$7,240,000, \$18,701,945, \$12,449,058 and \$1,470,000 principal amounts outstanding for the Series 2008, 2011, 2013A, and 2013B Bonds, respectively. A portion of the Series 2011 Bonds will be refunded in connection with the issuance of the Series 2017 Bonds.

The following table sets forth the College's fiscal year debt service requirements:

<b>Fiscal Year Ending</b>	<b>Series 2008 Debt Service<sup>1</sup></b>	<b>Series 2011 Debt Service</b>	<b>Series 2013A Debt Service</b>	<b>Series 2013B Debt Service</b>	<b>Series 2017 Debt Service</b>	<b>Total</b>
2018	\$ 501,100	\$ 52,963	\$ 1,092,282	\$ 767,895	\$ 370,714	\$ 2,784,953
2019	502,559	708,625	1,086,232	739,563	1,716,231	4,753,210
2020	503,642	708,525	1,088,932	-	1,978,731	4,279,830
2021	504,347	702,525	1,087,182	-	1,978,106	4,272,160
2022	504,676	704,663	1,087,332	-	1,975,731	4,272,402
2023	504,628	-	1,090,857	-	1,971,606	3,567,091
2024	509,172	-	1,084,357	-	1,970,606	3,564,135
2025	508,182	-	1,081,232	-	1,972,481	3,561,895
2026	511,784	-	1,081,232	-	1,972,106	3,565,122
2027	509,852	-	1,078,632	-	1,974,356	3,562,840
2028	512,512	-	1,083,072	-	1,978,981	3,574,565
2029	514,606	-	1,079,850	-	1,981,906	3,576,362
2030	516,136	-	1,079,475	-	1,979,056	3,574,667
2031	517,100	-	1,077,400	-	1,979,516	3,574,016
2032	517,499	-	1,072,969	-	1,972,000	3,562,468
2033	522,301	-	-	-	1,971,250	2,493,551
2034	521,381	-	-	-	1,977,288	2,498,669
2035	524,865	-	-	-	1,972,450	2,497,315
2036	522,626	-	-	-	1,974,106	2,496,732
2037	524,791	-	-	-	1,975,388	2,500,179
2038	406,171	-	-	-	1,974,606	2,380,777
2039	-	-	-	-	1,969,800	1,969,800
2040	-	-	-	-	1,975,600	1,975,600
2041	-	-	-	-	1,978,600	1,978,600
2042	-	-	-	-	1,302,600	1,302,600
2043	-	-	-	-	891,500	891,500
2044	-	-	-	-	897,200	897,200
2045	-	-	-	-	896,600	896,600
2046	-	-	-	-	894,800	894,800
2047	-	-	-	-	891,800	891,800
2048	-	-	-	-	892,500	892,500
<b>Total</b>	<b>\$10,659,930</b>	<b>\$2,877,300</b>	<b>\$16,251,036</b>	<b>\$1,507,458</b>	<b>\$52,208,217</b>	<b>\$83,503,941</b>

<sup>1</sup> Debt service is calculated based on a fixed swap rate of 3.768% plus estimated cost of liquidity and remarketing fees.

## Insurance

The College maintains insurance of such type, against such risks and in such amounts (and subject to reasonable deductible provisions) as are customarily carried by private colleges and universities located in the State of New York. Insurance coverages include property coverage for buildings and contents in the amount of \$267,944,583 and business interruption, boiler and machinery coverage. General liability insurance covers claims for bodily injury, property damage, personal and advertising injury. Other coverages held by the College include automobile liability and physical damage coverage, excess umbrella liability coverage, commercial crime coverage, pension and welfare fiduciary liability coverage, board of trustees liability coverage, including employment practices liability, media liability coverage, cyber liability coverage and licensed professional liability coverage. In addition, the College, as a member of the New York College and University Risk Management Group and is a qualified self-insurer under the New York Workers' Compensation Law. The College regularly monitors its insurance and risk management program in order to maintain appropriate coverage at a reasonable cost.

## **Labor Relations**

The College has no collective bargaining contracts with any employees.

## **Retirement Plans**

The College participates in defined contribution pension plans for faculty, staff and other employees. The defined contribution plan provides for contributions by the College and employees and the supplemental tax deferred annuity plan provides for contributions by employees only. Costs expensed under the plans were \$2,435,814 in fiscal 2017 and were funded on a current basis. All funded payments are vested immediately and used to purchase annuity contracts to provide pension benefits. There are no unfunded past service costs under the plans.

## **Post-Retirement Benefits**

The College has a postretirement medical and life insurance program available to faculty, administration, and staff who meet certain service, age, and eligibility requirements. The College elected to recognize its transition obligation upon the adoption of Accounting Standards Codification 715 *Employers' Accounting for Postretirement Benefits Other Than Pensions*. The accrued postretirement benefit obligation as of June 30, 2017 was \$11,117,638.

Although the College has no present intention to do so, the terms of the program permit the College to terminate the program or reduce benefits available under the program for any reason. See Note 9 to the Audited Financial Statements of the College for the years ended June 30, 2017 and 2016 included as Appendix B to this Official Statement.

## **Litigation**

There is no material litigation pending or threatened against the College which would result in a recovery which is not covered by applicable insurance programs less deductible provisions.

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**APPENDIX B**

**AUDITED FINANCIAL STATEMENTS OF THE COLLEGE  
FOR YEARS ENDED JUNE 30, 2017 AND 2016**

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**NAZARETH COLLEGE OF ROCHESTER**

Financial Statements

June 30, 2017

(With Independent Auditor's Report Thereon)

**Bonadio & Co., LLP**  
Certified Public Accountants

**NAZARETH COLLEGE OF ROCHESTER**

Financial Statements

June 30, 2017

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**INDEPENDENT AUDITOR’S REPORT**

October 12, 2017

To the Board of Trustees of  
Nazareth College of Rochester:

We have audited the accompanying financial statements of Nazareth College of Rochester (a New York not-for-profit corporation), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

**Management’s Responsibility for the Financial Statements**

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

**Auditor’s Responsibility**

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

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

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

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**INDEPENDENT AUDITOR'S REPORT**  
(Continued)

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nazareth College of Rochester as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited Nazareth College of Rochester's 2016 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated October 6, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Bonadio & Co., LLP*

**NAZARETH COLLEGE OF ROCHESTER**

Statement of Financial Position

June 30, 2017

(with comparative information for June 30, 2016)

<b>Assets</b>	<b>2017</b>	<b>2016</b>
Cash and cash equivalents	\$ 6,828,323	\$ 4,374,684
Short-term investments	19,962,694	18,011,385
Student accounts receivable, net	3,104,371	2,990,032
Interest and other receivables	1,458,085	1,443,144
Contributions receivable, net	9,482,284	3,762,670
Investments held for long-term purposes	72,562,614	66,085,846
Notes receivable, net	1,654,513	1,685,829
Other assets	1,730,463	1,676,159
Property, plant and equipment, net	139,491,618	136,218,978
Total assets	<u>\$ 256,274,965</u>	<u>\$ 236,248,727</u>
 <b>Liabilities and Net Assets</b> 		
Liabilities:		
Accounts payable	\$ 3,136,078	\$ 1,778,284
Accrued expenses	5,033,602	4,980,275
Deferred revenues	1,195,907	1,137,858
Asset retirement obligation	2,323,558	2,193,181
Accrued postretirement benefit costs	11,117,638	11,776,317
Long-term debt, net	38,712,389	41,038,173
Government loan program refundable advances	1,223,727	1,218,884
Total liabilities	<u>62,742,899</u>	<u>64,122,972</u>
Net assets:		
Unrestricted	156,030,818	145,558,818
Temporarily restricted	18,509,064	9,105,541
Permanently restricted	18,992,184	17,461,396
Total net assets	<u>193,532,066</u>	<u>172,125,755</u>
Total liabilities and net assets	<u>\$ 256,274,965</u>	<u>\$ 236,248,727</u>

**NAZARETH COLLEGE OF ROCHESTER**

Statement of Activities

Year ended June 30, 2017

(with comparative information for the year ended June 30, 2016)

	2017			2016	
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Total
Operating revenue:					
Educational and general:					
Tuition and fees	\$ 84,127,170	\$ -	\$ -	\$ 84,127,170	\$ 81,507,040
Less scholarships and grants	(27,941,791)	-	-	(27,941,791)	(25,323,239)
	56,185,379	-	-	56,185,379	56,183,801
Federal grants and contracts	985,069	-	-	985,069	1,043,129
State of New York grants and contracts	847,118	-	-	847,118	924,060
Private gifts, grants, and contracts	1,362,887	739,919	-	2,102,806	1,678,080
Arts Center programs	429,135	-	-	429,135	382,389
Investment income and gains	985,532	-	-	985,532	398,799
Long-term investment return allocated for operations	2,078,263	1,118,945	-	3,197,208	3,252,966
Other revenues	654,675	176,817	-	831,492	1,049,707
Net assets released from restrictions	1,632,632	(1,632,632)	-	-	-
Total educational and general	65,160,690	403,049	-	65,563,739	64,912,931
Auxiliary enterprises	17,073,394	-	-	17,073,394	16,278,211
Total operating revenue	82,234,084	403,049	-	82,637,133	81,191,142
Operating expenses:					
Educational and general:					
Instruction	33,797,432	-	-	33,797,432	33,483,139
Arts Center programs	1,721,712	-	-	1,721,712	1,701,862
Academic support	7,091,991	-	-	7,091,991	6,214,115
Student services	11,637,662	-	-	11,637,662	11,079,027
Institutional support	11,922,291	-	-	11,922,291	11,419,237
Total educational and general	66,171,088	-	-	66,171,088	63,897,380
Auxiliary enterprises	13,188,793	-	-	13,188,793	12,557,273
Total operating expenses	79,359,881	-	-	79,359,881	76,454,653
Change in net assets from operating activities	2,874,203	403,049	-	3,277,252	4,736,489
Nonoperating activities:					
Long-term investment activities:					
Interest and dividends	586,752	-	-	586,752	508,516
Net realized and unrealized gain (loss)	4,695,929	2,779,918	4,473	7,480,320	(3,959,374)
Total long-term investment activities	5,282,681	2,779,918	4,473	8,067,072	(3,450,858)
Long-term investment return allocated for operations	(2,078,263)	(1,118,945)	-	(3,197,208)	(3,252,966)
Capital gifts	747,585	9,181,898	1,501,490	11,430,973	1,322,370
Other changes	667,181	8,871	24,825	700,877	(683,492)
Postretirement related changes other than net periodic benefit cost	1,127,345	-	-	1,127,345	(570,449)
Net assets released from restrictions	1,851,268	(1,851,268)	-	-	-
Change in net assets from nonoperating activities	7,597,797	9,000,474	1,530,788	18,129,059	(6,635,395)
Change in net assets	10,472,000	9,403,523	1,530,788	21,406,311	(1,898,906)
Net assets at beginning of year	145,558,818	9,105,541	17,461,396	172,125,755	174,024,661
Net assets at end of year	\$ 156,030,818	\$ 18,509,064	\$ 18,992,184	\$ 193,532,066	\$ 172,125,755

**NAZARETH COLLEGE OF ROCHESTER**

Statement of Cash Flows

Year ended June 30, 2017

(with comparative information for the year ended June 30, 2016)

	<b>2017</b>	<b>2016</b>
Cash flows from operating activities:		
Change in net assets	\$ 21,406,311	\$ (1,898,906)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	8,444,422	8,158,976
Accretion expense	131,590	124,697
Amortization of deferred financing costs	79,734	79,734
Capital gifts	(4,713,336)	(444,057)
Remediation adjustment	(1,213)	(9,794)
Bond premium amortization	(30,518)	(30,518)
Postretirement related changes other than net periodic benefit cost	(1,127,345)	570,449
Change in fair value of interest rate swap	(748,833)	724,039
Net realized and unrealized (gains) losses on investments	(7,480,320)	3,959,374
Loss on disposal of assets	918	14,692
Changes in net assets and liabilities that provide (use) cash:		
Student accounts receivable	(114,339)	(562,129)
Interest and other receivables	(14,941)	(711,246)
Contributions receivable	(5,719,614)	2,269,708
Other assets	(54,304)	515,131
Accounts payable	(707,338)	(3,030,002)
Accrued expenses	802,160	(2,016,001)
Deferred revenues	58,049	(764,093)
Accrued postretirement benefit costs	468,666	284,779
Net cash provided by operating activities	10,679,749	7,234,833
Cash flows from investing activities:		
Purchases and construction of property, plant and equipment, net of construction costs payable	(9,652,948)	(7,407,341)
Proceeds from the sale of property, plant and equipment	100	301
Purchases of investments	(15,757,113)	(15,858,492)
Proceeds from the sales of investments	16,760,665	11,753,667
Change in short-term investments, net	(1,951,309)	6,254,476
Change in notes receivable	31,316	(123,845)
Net cash used in investing activities	(10,569,289)	(5,381,234)
Cash flows from financing activities:		
Principal repayments on long-term debt	(2,375,000)	(2,500,000)
Capital gifts	4,713,336	444,057
Increase (decrease) in government loan program refundable advances	4,843	(62,866)
Net cash provided (used) by financing activities	2,343,179	(2,118,809)
Net change in cash and cash equivalents	2,453,639	(265,210)
Cash and cash equivalents at beginning of year	4,374,684	4,639,894
Cash and cash equivalents at end of year	\$ 6,828,323	\$ 4,374,684
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 1,824,261	\$ 1,900,514
Non-cash investing activities:		
Change in construction costs payable	\$ 1,200,334	\$ (1,829,719)

# NAZARETH COLLEGE OF ROCHESTER

## Notes to Financial Statements

June 30, 2017

### (1) Organization and Summary of Significant Accounting Policies

#### (a) Organization

Nazareth College of Rochester (the College) is a private, coeducational, comprehensive college founded in 1924, located on a 148-acre campus in suburban Rochester, New York. Its mission is to provide a learning community that educates students in the liberal arts, sciences, visual and performing arts, and in professional fields, fostering commitment to a life informed by intellectual, ethical, spiritual, and aesthetic values; to develop skills necessary for the pursuit of meaningful careers; and to inspire dedication to the ideal of service to their communities. The College offers undergraduate and graduate programs, and is primarily funded by tuition and other student fees charged for programs offered.

#### (b) Basis of Presentation

The College's financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP), and are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*, which addresses the presentation of financial statements for not-for-profit entities. In accordance with ASC 958, net assets and changes therein, are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the College are classified as follows:

*Unrestricted net assets* are not subject to donor stipulations restricting their use, but may be designated for specific purposes by the College.

*Temporarily restricted net assets* are subject to donor stipulations that expire by the passage of time or can be fulfilled by actions pursuant to the stipulations. Temporarily restricted net assets also include investment earnings on funds not yet appropriated by the Board of Trustees for spending. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

*Permanently restricted net assets* are subject to donor stipulations requiring that they be maintained permanently.

#### (c) Revenue Recognition

Tuition revenue for the fall, spring, and summer sessions is recognized in the fiscal year in which it is applicable.

#### (d) Contributions

Contributions, including unconditional pledges, are recognized as revenues when donors' commitments are received. Conditional pledges become unconditional and are recognized as revenues when the conditions are substantially met. Unconditional pledges, net of an allowance for uncollectible amounts, are reported at their estimated fair values, and are classified as either permanently restricted or temporarily restricted. The College expended approximately \$3,173,000 and \$3,203,000 for Institutional Advancement for the years ended June 30, 2017 and 2016, respectively.



## NAZARETH COLLEGE OF ROCHESTER

### Notes to Financial Statements

June 30, 2017

**(e) Grants and Contracts**

Revenue from grants and contracts is generally recognized as earned, that is, as the related costs are incurred under the grant or contract agreements. Amounts received in advance are reported as deferred revenues.

**(f) Accounts and Student Loans Receivable**

Student accounts and loans receivable are reported net of an allowance for doubtful accounts. This allowance provides for accounts and loans estimated to be uncollectible. The College extends credit, primarily to students, in the form of loans and accounts receivable for educational expenses. Loans to students are expected to be collected over an average of 10 years with interest rates averaging approximately 5%. Loans to students are recorded at their current unpaid principal balance.

The College does not evaluate the credit quality of their student loans receivable after the initial approval and calculation of the loans. The College evaluates individual student loans receivable for impairment on an as-needed basis, and any amounts deemed uncollectible based upon an assessment of the debtor's payment history and financial situation are written off.

Allowances for doubtful accounts are recorded and represent the amounts that, in the opinion of the management of the College, are necessary to account for probable losses related to current receivables. Allowances are determined based upon numerous considerations, including economic conditions, the specific composition of the receivable balances, as well as trends of delinquencies and write-offs. On a periodic basis, these factors are considered and the allowances for doubtful accounts are adjusted accordingly with a corresponding adjustment to the provision for allowance for doubtful loans and accounts receivable.

**(g) Cash and Cash Equivalents**

Cash and cash equivalents include cash on deposit with financial institutions and other highly liquid investments, primarily cash management funds. Cash and cash equivalents are reported at cost which approximates fair value. The College places its cash and cash equivalents with high quality financial institutions. Included in cash and cash equivalents at June 30, 2017 and 2016, are approximately \$6,502,000 and \$4,465,000, respectively, of cash equivalents primarily representing interest bearing money market and other short-term investment accounts.

The amounts held in bank accounts may, at times, exceed federally insured limits. The College has not experienced any losses in these accounts and does not believe it is exposed to any significant credit risk with respect to cash and cash equivalents.

**(h) Short-Term Investments**

Short-term investments are recorded at fair value. The College invests portions of its operating cash in select fixed income securities consisting of U.S. Government obligations, corporate bonds, certificates of deposit, and institutional mutual funds. These investments are considered Level I investments in the fair value hierarchy.

**NAZARETH COLLEGE OF ROCHESTER**

Notes to Financial Statements

June 30, 2017

**(i) Investments**

Investments are reported at fair value. If an investment is held directly by the College and an active market with quoted prices exists, the College reports the fair value as the market price of an identical security. Shares in mutual funds are based on share values reported by the funds as of the last business day of the fiscal year. The College also holds shares or units in alternative investment funds involving hedge funds and real estate strategies.

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 generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information, and may reflect discounts for the illiquid nature of certain investments held.

The College utilizes the net asset value (NAV) reported by each of the alternative funds 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 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.

Endowment and investment return includes interest and dividends, realized gains and losses, and the change in unrealized appreciation (depreciation) on the associated investments. The average cost of investment securities sold is used to determine the basis for computing realized gains or losses, and the College accounts for investment sales and purchases on a trade-date basis.

**(j) Property, Plant and Equipment**

Property, plant and equipment are stated at cost less accumulated depreciation. The College capitalizes all property, plant and equipment expenditures greater than \$2,000. Expenditures for maintenance, repairs, and renewals of relatively minor items are expensed as incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives used in computing depreciation are as follows:

Buildings	50 years
Property improvements	10 – 25 years
Library books and reference materials	20 years
Furniture and equipment	10 years
Vehicles	4 years
Computers and technology	4 years

## NAZARETH COLLEGE OF ROCHESTER

### Notes to Financial Statements

June 30, 2017

Leasehold improvements depreciation is computed using the straight-line method over the shorter of the estimated useful lives of the asset or the term of the related lease.

Temporary restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are acquired or placed into service.

**(k) Interest Rate Swap Agreement**

The College uses interest rate swap agreements as part of its risk management strategy to manage exposure to fluctuations in interest rates and to manage the overall cost of its debt. The interest rate swap agreement in place (see Note 8a) is not designated as a hedge of cash flows related to the corresponding debt agreement. The fair value of the interest rate swap is recognized as either an asset or liability. Gains and losses on settlements and changes in the fair value of the interest rate swap transactions are reflected in the Statement of Activities.

**(l) Income Taxes**

The Internal Revenue Service has determined and informed the College by a letter dated June 8, 1973, that the College is generally exempt from income taxes, under Section 501(a) of the Internal Revenue Code, as an organization described in Section 501(c)(3). Management does not believe that any circumstances arising after the date of the Internal Revenue Service determination letter will affect the tax-exempt status of the College.

**(m) Nonoperating Activities**

Long-term investment activities, net of long-term investment return allocated for operations, capital gifts restricted or designated for long-term investments and postretirement-related changes other than net periodic benefit cost are considered non-operating activities in the accompanying Statements of Activities. Long-term investment return is allocated for operations in accordance with the College's spending policy for investments held for endowment and similar purposes, as more fully discussed in Note 6.

**(n) Functional Expenses**

Expenses are reported in the Statement of Activities in categories recommended by the National Association of College and University Business Officers. The College's primary programs are instruction and Arts Center programs. Expenses reported as academic support, student services, and auxiliary enterprises are incurred in support of these primary programs. Institutional support represents supporting services expenses.

**(o) Asset Retirement Obligation**

Asset retirement obligations (AROs) are legal obligations associated with expected future retirement of long-lived assets. These liabilities are initially recorded at fair value and the related asset retirement costs are capitalized by increasing the carrying amount of the related assets by the same amount as the liability. Asset retirement costs are subsequently depreciated over the useful lives of the related assets. Subsequent to initial recognition, the College records period-to-period changes in the ARO liability resulting from the passage of time as occupancy expense.

**NAZARETH COLLEGE OF ROCHESTER**

Notes to Financial Statements

June 30, 2017

Upon settlement of the obligation, any difference between the actual cost to settle the ARO and the liability recorded is recognized as a gain or loss in the Statement of Activities.

Portions of the College’s buildings were constructed at a time when certain asbestos-based materials were commonly in use. Current regulations require that whenever renovations are made to an area of the facility, any of these materials that will be exposed during the process must be removed and disposed of in accordance with the appropriate regulatory requirements.

Amounts related to the ARO at June 30, 2017 and 2016 are as follows:

	<b>2017</b>	<b>2016</b>
Asset retirement obligation at beginning of year	\$ 2,193,181	2,078,278
Accretion expense	131,590	124,697
Remediation adjustment	(1,213)	(9,794)
Asset retirement obligation at end of year	\$ 2,323,558	2,193,181

**(p) Fair Value of Financial Instruments**

The fair values of the College’s financial instruments approximate the carrying amounts reported in the Statement of Financial Position for cash and cash equivalents, short-term investments, student accounts receivable, contributions receivable, and accounts payable and accrued expenses. The fair value of cash and cash equivalents is determined to be Level 1 in the fair value hierarchy. The fair value of short-term investments is discussed in Note 1(h) and is considered to be Level 1 in the fair value hierarchy based on the usage of significant observable inputs.

**(q) Use of Estimates**

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

**(r) Change in Accounting Principle**

In 2017, the College adopted the guidance in Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2015-03: “Interest - Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs.”

This update established guidance regarding the presentation of deferred financing costs on the Statement of Financial Position and the related amortization expense in the Statement of Activities. The new guidance requires presenting such unamortized costs as a direct deduction from the face amount of the debt and classification of amortization as interest expense.

**NAZARETH COLLEGE OF ROCHESTER**

Notes to Financial Statements

June 30, 2017

Previously, the College reflected unamortized deferred financing costs as deferred charges on the Statement of Financial Position. In connection with the adoption of the new guidance, the College has retroactively reclassified 2016 amounts. The reclassifications reduced total assets and liabilities at June 30, 2016 by \$1,228,348 with no effect on change in net assets.

Similarly, interest expense for 2016 has been increased and amortization expense has been decreased by \$79,734, with no effect on previously reported change in net assets.

**(2) Accounts Receivable**

Accounts receivable consisted of the following at June 30, 2017:

	<b>Student Loans</b>	<b>Student Accounts</b>	<b>Other</b>
Gross amount	\$ 1,788,093	3,335,832	1,458,085
Less: Allowances	(133,580)	(231,461)	-
	\$ 1,654,513	3,104,371	1,458,085

Accounts receivable consisted of the following at June 30, 2016:

	<b>Student Loans</b>	<b>Student Accounts</b>	<b>Other</b>
Gross amount	\$ 1,819,409	3,187,472	1,443,144
Less: Allowances	(133,580)	(197,440)	-
	\$ 1,685,829	2,990,032	1,443,144

**Student Loans, net**

The College participates in the Federal Perkins Loan Program. The availability of funds for loans under the program is dependent on the reimbursements to the pool from repayments on outstanding loans. Funds advanced by the Federal government of approximately \$1,950,000 at June 30, 2017 and 2016, are ultimately refundable to the government and are classified as notes receivable in the Statement of Financial Position. Outstanding loans canceled under the program result in a reduction of the funds available for loans and decrease the liability to the government.

**NAZARETH COLLEGE OF ROCHESTER**

Notes to Financial Statements

June 30, 2017

Notes receivable, net consisted of the following at June 30:

	<b>2017</b>	<b>2016</b>
Perkins student loan program	\$ 1,788,093	1,808,577
Nurse faculty loan program	-	10,832
Total	1,788,093	1,819,409
Less: Allowance for doubtful accounts	(133,580)	(133,580)
Notes receivable, net	\$ 1,654,513	1,685,829

There was no change to the Perkins student loans and institutional loans receivable allowances for doubtful accounts at June 30, 2017 and 2016.

At June 30, 2017, the following amounts were past due for notes and loans receivable:

	<b>Current</b>	<b>91+ Days Past Due</b>	<b>Total</b>
Perkins	\$ 1,677,263	110,830	1,788,093
Less: Allowance for doubtful accounts	(22,750)	(110,830)	(133,580)
	\$ 1,654,513	-	1,654,513

At June 30, 2016, the following amounts were past due for notes and loans receivable:

	<b>Current</b>	<b>91+ Days Past Due</b>	<b>Total</b>
Perkins	\$ 1,677,670	130,907	1,808,577
Nurse faculty loans	-	10,832	10,832
Less: Allowance for doubtful accounts	-	(133,580)	(133,580)
	\$ 1,677,670	8,159	1,685,829

**Other Receivables**

Included in other receivables are interest receivable, gifts receivable and grants receivable.

**(3) Contributions Receivable**

Contributions, including unconditional promises to donate to the College in the future, are recognized when received. Contributions receivable represent the net realizable value of future cash flows at June 30, 2017 and 2016. Contributions to be received after one year are discounted at an appropriate discount rate, ranging from 1.7% to 4.0%, commensurate with the risks involved. The allowance for uncollectible contributions receivable is based on actual write-offs, prior collection history, and type of contribution.

**NAZARETH COLLEGE OF ROCHESTER**

Notes to Financial Statements

June 30, 2017

Contributions receivable, net, are summarized as follows at June 30, 2017 and 2016:

	<b>2017</b>	<b>2016</b>
Unconditional promises expected to be collected in:		
Less than one year	\$ 4,432,370	1,489,491
One year to five years	5,748,374	2,562,167
	10,180,744	4,051,658
Less: Unamortized discount	(548,460)	(201,988)
Less: Allowance for uncollectible contributions	(150,000)	(87,000)
Contributions receivable, net	\$ 9,482,284	3,762,670

**(4) Scholarships and Grants**

The College awarded a total of \$27,941,791 and \$25,323,239 in scholarships and grants during 2017 and 2016, respectively. Of these amounts, \$1,076,880 and \$1,059,644 were specifically funded by the state of New York or private gifts or grants, or by investment income and gains earned on investments held for endowment and similar purposes and utilized under the College's total return spending policy in 2017 and 2016, respectively. The College's total return spending policy is more fully discussed in Note 6.

**(5) Investments Held for Long-Term Purposes**

The assets held for endowment and similar purposes include accumulated principal of permanently restricted endowment gifts and other assets designated by the board of trustees to function as quasi-endowment, including accumulated appreciation resulting from investment of such funds. Substantially, all assets held for endowment and similar purposes are pooled on a fair value basis, with each individual fund subscribing to or disposing of units on the basis of the value per unit at fair value, determined on a quarterly basis.

The total interest and dividend income earned on investments, net of investment management and custodial fees of \$776,942 and \$775,148 in 2017 and 2016, respectively, was \$586,752 and \$508,516 in 2017 and 2016, respectively.

**(a) Fair Value Measurements**

FASB ASC Topic 820, *Fair Value Measurements*, establishes a framework for measuring fair value and a hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets and liabilities that the College has the ability to access at the measurement date. Assets and liabilities classified as Level 1 generally include listed equities. Level 1 also includes cash and cash equivalents given the short maturity of these investments.

## NAZARETH COLLEGE OF ROCHESTER

### Notes to Financial Statements

June 30, 2017

- Level 2 inputs are quoted market prices for markets that are not active or financial instruments for which all significant inputs are observable, either directly or indirectly. Assets and liabilities classified as Level 2 generally include fixed income securities or investments in common/collective trusts that hold Level 1 assets and derivative instruments.
- Level 3 inputs include pricing inputs that are unobservable for the assets and reflect certain assumptions to determine fair value. Assets classified as Level 3 include the College's alternative investments (hedge funds).

The College utilized the NAV reported by the alternative investments (that may be classified as Level 2 or Level 3), as a practical expedient for measuring and reporting their fair values in the accompanying financial statements. With respect to investments reported at NAV as a practical expedient, classification in Level 2 or 3 is based on the College's ability to redeem its interest at or near the date of the Statement of Financial Position. If the interest can be redeemed in the near term, the investment is classified in Level 2. The investments in these partnerships and funds may include certain private instruments that do not trade in public markets and, therefore, may be subject to greater liquidity risk. As of June 30, 2017, the College had no specific plans or intentions to sell investments at amounts different than NAV.

In certain cases, the inputs used to measure fair value may fall into different levels of fair value hierarchy. In such cases, the College categorizes such investments based on the lowest level input that is significant to the fair value measurement in its entirety. Accordingly, the inputs or methodology used for valuing or classifying investments for financial reporting purposes are not necessarily an indicator of the risk associated with investing in those investments or a reflection on the liquidity of each fund's underlying assets and liabilities.



# NAZARETH COLLEGE OF ROCHESTER

## Notes to Financial Statements

June 30, 2017

The following tables present the College's investments at June 30, 2017 and 2016 that are measured at fair value on a recurring basis:

		<b>2017</b>				<b>Redemption</b>	<b>Days'</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>	<b>frequency</b>	<b>notice</b>
Investments:							
Domestic equities:							
Large capitalization							
stocks	\$	8,771,112	-	-	8,771,112	Daily/Annual	Same day
Medium/small							
capitalization stocks		7,792,407	-	-	7,792,407	Daily	Same day
International equities:							
Developed markets		6,413	14,061,313	-	14,067,726	Daily/Monthly	Same day/10 days
Emerging markets		5,493,703	-	-	5,493,703	Daily	Same day
Fixed income:							
Domestic		474,226	-	-	474,226	Daily/Annual	Same day
Global		24,966	6,569,004	-	6,593,970	Monthly	10 days
Alternative instruments:							
Absolute return funds		5,141,270	-	5,559,383	10,700,653	Semi/Annual	45 days
Directional hedge funds		-	-	10,255,693	10,255,693	Annual	95 & 105 days
Multi-Strategy		-	-	552,642	552,642	Quarterly	65 Days
						Daily – not	2 days – not
Real assets		20,232	7,029,756	-	7,049,988	applicable	applicable
Private Equity		-	-	810,494	810,494	Illiquid	Illiquid
Total							
investments	\$	<u>27,724,329</u>	<u>27,660,073</u>	<u>17,178,212</u>	<u>72,562,614</u>		
		<b>2016</b>				<b>Redemption</b>	<b>Days'</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>	<b>frequency</b>	<b>notice</b>
Investments:							
Domestic equities:							
Large capitalization							
stocks	\$	6,198,261	-	-	6,198,261	Daily/Annual	Same day
Medium/small							
capitalization stocks		7,851,312	-	-	7,851,312	Daily	Same day
International equities:							
Developed markets		5,254	13,503,605	-	13,508,859	Daily/Monthly	Same day/10 days
Emerging markets		4,676,563	-	-	4,676,563	Daily	Same day
Fixed income:							
Domestic		477,333	-	-	477,333	Daily/Annual	Same day
Global		20,255	6,844,503	-	6,864,758	Monthly	10 days
Alternative instruments:							
Absolute return funds		4,390,567	-	5,009,206	9,399,773	Semi/Annual	45 days
Directional hedge funds		-	-	8,909,865	8,909,865	Annual	95 & 105 days
Multi-Strategy		-	-	916,639	916,639	Quarterly	65 Days
						Daily – not	2 days – not
Real assets		18,236	6,907,546	-	6,925,782	applicable	applicable
Private Equity		-	-	356,701	356,701	Illiquid	Illiquid
Total							
investments	\$	<u>23,637,781</u>	<u>27,255,654</u>	<u>15,192,411</u>	<u>66,085,846</u>		

**NAZARETH COLLEGE OF ROCHESTER**

Notes to Financial Statements

June 30, 2017

Changes to reported investments measured at fair value using unobservable (Level 3) inputs during the years ended June 30, 2017 and 2016 are as follows:

	<b>Absolute return funds</b>	<b>Directional hedge funds</b>	<b>Multi-Strategy hedge funds</b>	<b>Real assets and other</b>	<b>Total</b>
Fair value, June 30, 2015	\$ 6,274,326	9,694,357	-	-	15,968,683
Purchases	5,000,000	-	1,000,000	372,874	6,372,874
Redemptions	(5,645,765)	-	-	-	(5,645,765)
Investment return	<u>(619,355)</u>	<u>(784,492)</u>	<u>(83,361)</u>	<u>(16,173)</u>	<u>(1,503,381)</u>
Fair value, June 30, 2016	5,009,206	8,909,865	916,639	356,701	15,192,411
Purchases	-	-	-	430,000	430,000
Redemptions	-	-	(368,761)	-	(368,761)
Investment return	<u>550,177</u>	<u>1,345,828</u>	<u>4,764</u>	<u>23,793</u>	<u>1,924,562</u>
Fair value, June 30, 2017	\$ <u>5,559,383</u>	<u>10,255,693</u>	<u>552,642</u>	<u>810,494</u>	<u>17,178,212</u>

No significant transfers occurred between Level 2 and Level 3 for the years ended June 30, 2017 and 2016.

Management determines the fair value measurement valuation policies and procedures, including those for Level 3 recurring and nonrecurring measurements. The College's Investment Committee of the Board of Trustees approves the investment policy on an annual basis. At least annually, management: (1) determines if the current valuation techniques used in fair value measurements are still appropriate and (2) evaluates and adjusts the unobservable inputs used in the fair value measurements based on current market conditions and third-party information.

**(b) Liquidity**

The following presents the fair value of the College's investments as of June 30, 2017, by redemption period:

Daily	\$ 41,292,996
Monthly	13,578,399
Quarterly	552,642
Semiannual	2,230,602
Annual	14,097,481
Illiquid	<u>810,494</u>
Total	\$ <u>72,562,614</u>

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 lockup periods) for certain funds.

**NAZARETH COLLEGE OF ROCHESTER**

Notes to Financial Statements

June 30, 2017

Substantially all of the College's investments are available to be redeemed in fiscal year 2017. In addition, the College has \$3,210,000 of unfunded commitments as of June 30, 2017.

**(6) Endowment**

The College follows the New York Uniform Prudent Management of Institutional Funds Act (NYPMIFA) in the management of its endowment. 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 – Presentation of Financial Statements*, 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.

The College's endowment consists of 233 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the board of trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The following is a summary of the College's endowment net asset composition excluding pledges receivable, by type of fund as of June 30:

		2017			
		Unrestricted	Temporarily restricted	Permanently restricted	Total
	\$	-	5,868,265	17,609,653	23,477,918
Donor-restricted endowment funds		42,182,882	-	-	42,182,882
Board-designated endowment funds		59,155	-	-	59,155
Other endowment assets					
Total endowed net assets	\$	42,242,037	5,868,265	17,609,653	65,719,955

**NAZARETH COLLEGE OF ROCHESTER**

Notes to Financial Statements

June 30, 2017

	<b>2016</b>			
	<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	4,207,292	16,871,597	21,078,889
Board-designated endowment funds	38,515,003	-	-	38,515,003
Other endowment assets	2,650	-	-	2,650
Total endowed net assets	<u>\$ 38,517,653</u>	<u>4,207,292</u>	<u>16,871,597</u>	<u>59,596,542</u>

The following is a summary of the components of the return of the endowment pool and changes in endowment net assets for the years ended June 30:

	<b>2017</b>			
	<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 38,517,653	4,207,292	16,871,597	59,596,542
Investment return:				
Interest and dividends	586,752	-	-	586,752
Net appreciation	4,695,929	2,779,918	-	7,475,847
Total investment return	5,282,681	2,779,918	-	8,062,599
Appropriation of endowment assets for expenditure	(2,078,263)	(1,118,945)	-	(3,197,208)
Contributions	732,497	-	1,501,490	2,233,987
Other changes	(212,531)	-	(763,434)	(975,965)
Endowment net assets, end of year	<u>\$ 42,242,037</u>	<u>5,868,265</u>	<u>17,609,653</u>	<u>65,719,955</u>

**NAZARETH COLLEGE OF ROCHESTER**

Notes to Financial Statements

June 30, 2017

	2016			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	\$ 42,418,823	6,635,635	16,109,327	65,163,785
Investment return:				
Interest and dividends	508,516	-	-	508,516
Net depreciation	(2,645,996)	(1,311,680)	-	(3,957,676)
Total investment return	(2,137,480)	(1,311,680)	-	(3,449,160)
Appropriation of endowment assets for expenditure	(2,136,303)	(1,116,663)	-	(3,252,966)
Contributions	231,897	-	802,190	1,034,087
Other changes	140,716	-	(39,920)	100,796
Endowment net assets, end of year	\$ 38,517,653	4,207,292	16,871,597	59,596,542

**(a) Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the College to retain as a fund of perpetual duration. There were no deficiencies as of June 30, 2017. At June 30, 2016, deficiencies of \$120,099 were reported in temporarily restricted net assets.

**(b) Spending Policy**

Spending to support programs from assets held for endowment and similar purposes is under a total return policy. The board of trustees approved the spending rate to be 5.4% for fiscal years 2017 and 2016. Amounts utilized under this policy are reported as long-term investment return allocated for operations in the accompanying Statement of Activities. To the extent the total return requirement for the current year is not fulfilled by interest and dividends, the College utilizes realized appreciation of assets held for endowment and similar purposes. To the extent that the total return requirement for the current year is exceeded by interest and dividends, the College reinvests the excess income in its assets held for endowment and similar purposes. Unspent net realized and unrealized gains and losses, which are recognized as either unrestricted, temporarily restricted, or permanently restricted, dependent upon donor stipulations, are also maintained within the portfolio of endowment and other assets held for similar purposes.

**(c) Return Objectives and Risk Parameters**

The College has adopted investment and spending policies for endowment assets that attempt to provide a sustainable level of revenue distribution in support of the College's operating budget while preserving the purchasing power of the remaining invested assets. Endowment assets include those assets of donor-designated funds that the College must hold in perpetuity as well as board-designated funds.

**NAZARETH COLLEGE OF ROCHESTER**

Notes to Financial Statements

June 30, 2017

Under this policy, as approved by the board of trustees, the endowment assets are expected to generate long-term average annual real returns, net of fees and expenses, which meet or exceed the endowment's authorized distribution to the College operating budget, thereby maintaining the purchasing power of the endowment assets. The financial objective over three to five years is to provide an average annual real return at least equal to 5.5%.

**(d) Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the College relies on a total return policy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The College targets a diversified asset allocation that places emphasis on investments in equities, bonds, real assets, and alternative strategies in a 50-10-10-30 percentage ratio to achieve its long-term return objectives within prudent risk constraints.

**(7) Property, Plant, and Equipment**

Property, plant, and equipment consist of the following at June 30:

	<b>2017</b>	<b>2016</b>
Land	\$ 8,232,974	8,232,974
Buildings	109,101,590	109,101,811
Property improvements	82,800,168	77,953,058
Library books and reference materials	18,094,829	17,487,949
Furniture and equipment	14,066,933	13,478,222
Computers and technology	12,036,586	11,179,738
Vehicles	664,503	619,638
Leasehold improvements	35,189	35,189
Construction in progress	5,004,193	1,220,236
	250,036,965	239,308,815
Less: Accumulated depreciation	(110,545,347)	(103,089,837)
Property, plant, and equipment, net	\$ 139,491,618	136,218,978

Gross payables outstanding related to construction in progress at June 30, 2017 and 2016, were \$2,065,131 and \$864,797, respectively, and are included in accounts payable in the accompanying Statement of Financial Position.

**NAZARETH COLLEGE OF ROCHESTER**

Notes to Financial Statements

June 30, 2017

**(8) Long-Term Debt, net**

Long-term debt, net, inclusive of any bond premium or discount, consists of the following at June 30:

	<b>2017</b>	<b>2016</b>
Bonds payable – COMIDA:		
Civic Facility Revenue Bonds – 08(a)	\$ 7,240,000	7,455,000
Bonds payable – MCIDC:		
Tax-Exempt Revenue Bonds – 11(b)	18,701,945	19,589,526
Bonds payable – MCIDC:		
Tax-Exempt Revenue Refunding Bonds – 13(c)	12,449,058	13,026,995
Bonds payable – MCIDC:		
Taxable Revenue Refunding Bonds – 13(d)	1,470,000	2,195,000
Total long-term debt	39,861,003	42,266,521
Less: Unamortized deferred financing costs	(1,148,614)	(1,228,348)
Total	\$ 38,712,389	41,038,173

**(a) COMIDA Civic Facility Revenue Bonds – 08**

During 2008, the College entered into an agreement with County of Monroe Industrial Development Agency (COMIDA) whereby COMIDA issued \$9,030,000 in civic facility revenue bonds to primarily finance the following: (1) the construction of a three-story 45,000 square foot residence hall to house approximately 150 students and (2) site improvements and expansion of a parking lot. Additionally, the bond proceeds were used to pay certain costs of issuance of the bonds. Interest is payable monthly with variable interest rates. The bonds mature at various dates through 2038, with optional early redemption by the College on certain bonds beginning in 2019.

As security for its obligation under the agreement, the College has granted a mortgage on certain facilities.

Effective February 1, 2008, the College entered into an interest rate swap agreement that terminates April 1, 2038, to exchange the variable rate debt on these COMIDA bonds, for a fixed-rate obligation without the exchange of the underlying principal amount. Under the terms of the interest rate swap agreement, the counterparty pays the College a variable interest rate equal to the SIFMA – Municipal Swap Index. The College will pay the counterparty a fixed rate of 3.768% on the bonds based on a notional balance of \$7,240,000 as of June 30, 2017.

The College records the fair value of the swap liability of \$1,418,708 and \$2,167,541 as of June 30, 2017 and 2016, respectively, within accrued expenses in the accompanying Statement of Financial Position, and classifies it in Level 2 of the fair value hierarchy. The change in the fair value of the swap of \$748,833 and \$(724,039) for the years ended June 30, 2017 and 2016, respectively, are included in other changes in the accompanying Statement of Activities.

## NAZARETH COLLEGE OF ROCHESTER

### Notes to Financial Statements

June 30, 2017

The continued effectiveness of the swap will be contingent upon the ability of the counterparty to meet its contractual obligations under the agreement.

**(b) MCIDC Tax-Exempt Revenue Bonds – 11**

During 2012, the College entered into an agreement with the Monroe County Industrial Development Corporation (MCIDC) whereby MCIDC issued tax-exempt revenue bonds, Series 2011, in the amount of \$23,765,000 for the purpose of financing or refinancing a certain project consisting of: (A) (i) the construction and equipping of an approximately 74,000 square foot four-story building to house the College's math and science departments together with ancillary and related facilities and improvements, and related pedestrian walkways, parking, site improvements, and landscaping improvements; (ii) the renovation and equipping of the approximately 7,234 square feet of space currently used as science labs for reuse as office space and/or other instructional purposes; and (iii) the acquisition and installation of certain items of machinery, equipment, fixtures, furniture, and other incidental tangible personal property for the above-mentioned project facility and improvements; and (B) the refinancing of an existing bank line of credit, the proceeds of which were applied to refinance the COMIDA Variable Rate Demand Civic Facility Revenue Refunding Bonds, Series 2004B issued to refinance the Series 1998 COMIDA Civic Facility Revenue Bonds. Additionally, the bond proceeds were used to fund a debt service reserve fund, capitalized interest and to pay certain costs of issuance of the bonds. Interest is payable semi-annually.

Interest rates vary from 3.0% to 5.5%. Bond discount was \$222,569. The bonds mature on various dates through 2042, with optional early redemption by the College on certain bonds beginning in 2021.

As security for its obligation under the agreement at June 30, 2017 and 2016, the College has a debt service reserve fund of approximately \$1,020,000 included in other assets in the accompanying Statement of Financial Position. In addition, the College granted a negative pledge on the project facility, and security interest in pledged revenues.

**(c) MCIDC Tax-Exempt Revenue Refunding Bonds – 13A**

During 2013, the College entered into an agreement with the MCIDC whereby MCIDC issued tax-exempt revenue refunding bonds, Series 2013A, in the amount of \$13,905,000 for the purpose of refinancing COMIDA civic facility revenue bonds Series 2001. Additionally, the bond proceeds were used to pay certain costs of issuance of the bonds. Interest is payable semi-annually. Interest rates vary from 4.0% to 5.0%. Bond premium was approximately \$721,000. The bonds mature on various dates through 2032, with optional early redemption by the College on certain bonds beginning in 2023.

As security for its obligation under the agreement, the College granted a security interest in pledged revenues.

**(d) MCIDC Taxable Revenue Refunding Bonds – 13B**

During 2013, the College entered into an agreement with the MCIDC whereby MCIDC issued taxable revenue refunding bonds, Series 2013B, in the amount of \$4,295,000 for the purpose of refinancing COMIDA civic facility revenue bonds Series 2004A. Additionally, the bond proceeds were used to pay certain costs of issuance of the bonds. Interest is payable semi-annually.



**NAZARETH COLLEGE OF ROCHESTER**

Notes to Financial Statements

June 30, 2017

Interest rates vary from 2.37% to 2.62%. The bonds mature on various dates through 2019, with optional early redemption by the College at any time.

As security for its obligation under the agreement, the College granted a security interest in pledged revenues.

As a condition of these borrowings, the College is subject to various covenants that include maintaining specified financial ratios. At June 30, 2017 and 2016, the College was in compliance with these covenants.

**Required Future Principal and Interest Payments**

Required future principal payments, inclusive of any bond premium or discount, and anticipated interest payments on the College's long-term debt are summarized as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2018	\$ 2,485,518	1,752,040	4,237,558
2019	2,545,518	1,666,117	4,211,635
2020	1,890,518	1,581,237	3,471,755
2021	1,965,518	1,499,692	3,465,210
2022	2,050,518	1,416,727	3,467,245
Thereafter	<u>28,923,413</u>	<u>13,073,869</u>	<u>41,997,282</u>
	<u>\$ 39,861,003</u>	<u>20,989,682</u>	<u>60,850,685</u>

The College incurred interest expense of approximately \$1,973,000 and \$2,046,000 for the years ended June 30, 2017 and 2016, respectively.

**(9) Benefit Plans**

The College participates in defined contribution retirement plans for faculty, administrative, support staff, and other employees. Expenses under the plans were \$2,435,814 and \$2,343,747 in 2017 and 2016, respectively, and were funded on a current basis. All funded payments are vested immediately and used to purchase annuity contracts to provide retirement benefits.

The College also provides certain healthcare and life insurance benefits to retired employees and their eligible dependents under a defined benefit plan covering many retirees and employees. The College accrues the cost of those retiree health and life insurance benefits during the working careers of active employees. The College's postretirement plan is not funded and is available only to employees hired before July 1, 1995, who met eligibility requirements.

The changes in the unrecognized amounts recorded in net assets for the years ended June 30, 2017 and 2016, are presented as a separate line item within non-operating activities in the Statement of Activities.

**NAZARETH COLLEGE OF ROCHESTER**

Notes to Financial Statements

June 30, 2017

A summary of the postretirement plan's funded status and amounts recognized in the College's Statement of Financial Position at June 30 is as follows:

	<u>2017</u>	<u>2016</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 11,776,317	10,921,089
Service cost	13,008	19,922
Interest cost	410,661	454,359
Plan participants' contributions	41,060	37,878
Actuarial (gain) loss	(700,625)	741,165
Benefits paid	<u>(422,783)</u>	<u>(398,096)</u>
Benefit obligation at end of year	\$ <u>11,117,638</u>	<u>11,776,317</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ -	-
Employer contribution	381,723	360,218
Plan participants' contributions	41,060	37,878
Benefits paid	<u>(422,783)</u>	<u>(398,096)</u>
Fair value of plan assets at end of year	\$ <u>-</u>	<u>-</u>
Funded status recognized in the Statement of Financial Position	\$ <u>(11,117,638)</u>	<u>(11,776,317)</u>

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

	<u>2017</u>	<u>2016</u>
Unamortized prior service costs	\$ -	(7,150)
Unamortized actuarial loss	<u>1,927,300</u>	<u>3,061,795</u>
Amount recognized as a reduction in unrestricted net assets	\$ <u>1,927,300</u>	<u>3,054,645</u>

A summary of the components of net periodic benefit cost for the years ended June 30 is presented below:

	<u>2017</u>	<u>2016</u>
Service cost	\$ 13,008	19,922
Interest cost	410,661	454,359
Amortization of unrecognized prior service cost	(7,150)	(93,348)
Amortization of net loss	<u>433,870</u>	<u>264,064</u>
Net periodic benefit cost	\$ <u>850,389</u>	<u>644,997</u>

**NAZARETH COLLEGE OF ROCHESTER**

Notes to Financial Statements

June 30, 2017

**(a) Assumptions**

A summary of the weighted average assumptions used to determine the benefit obligations at June 30 is presented below:

	<b>2017</b>	<b>2016</b>
Discount rate	3.83%	3.56%
Rate of compensation increase	2.00%	2.00%

A summary of the weighted average assumptions used to determine net periodic benefit cost for the years ended June 30 is presented below:

	<b>2017</b>	<b>2016</b>
Discount rate	3.56%	4.25%
Rate of compensation increase	2.00%	2.00%

A summary of the assumed healthcare cost trend rates at June 30, 2017 is presented below:

	<b>Pre-65 medical trend rates</b>	<b>Post-65 medical trend rates</b>	<b>Medicare advantage medical trend rates</b>	<b>Prescription drugs trend rates</b>
Healthcare cost trend rate for next year	7.25%	5.70%	7.25%	10.00%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	3.89%	3.89%	3.89%	3.89%
Year that the rate reaches the ultimate trend rate	2075	2075	2075	2075

As of June 30, 2017, the mortality assumption was revised to the sex-distinct RP-2014 White Collar Mortality Tables for employees and healthy annuitants, adjusted backward to 2006 with Scale MP-2014, and then adjusted for mortality improvements with the Scale MP-2016 mortality improvement scale on a generational basis, in order to reflect the continued improvement in mortality rates. The revised assumption resulted in a decrease in liabilities.

**NAZARETH COLLEGE OF ROCHESTER**

Notes to Financial Statements

June 30, 2017

Assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthcare plans. A one-percentage-point change in assumed healthcare cost trend rates would have the following effects as of and for the year ended June 30:

	2017		2016	
	One- percentage- point increase	One- percentage- point decrease	One- percentage- point increase	One- percentage- point decrease
Effect on total of service and interest cost components	\$ 4,941	(7,107)	5,545	(7,977)
Effect on postretirement benefit obligation	\$ 123,972	(179,569)	131,566	(190,568)

The College did not apply for the Medicare Part D prescription drug federal subsidy; therefore, the above disclosure reflects no future subsidy payments from Medicare.

**(b) Cash Flows Contributions**

The College expects to contribute approximately \$543,000 to its postretirement benefit plan in fiscal year 2018.

**(c) Estimated Future Benefit Payments**

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

	Amount
Years ending June 30:	
2018	\$ 542,687
2019	568,910
2020	593,599
2021	634,367
2022	655,847
2023 – 2027	3,436,493

**NAZARETH COLLEGE OF ROCHESTER**

Notes to Financial Statements

June 30, 2017

**(10) Temporarily and Permanently Restricted Net Assets**

**(a) Temporarily Restricted Net Assets**

Temporarily restricted net assets at June 30, consist of accumulated gifts and contributions restricted by donors for the following purposes:

	<b>2017</b>	<b>2016</b>
Purpose restrictions:		
Construction, renovation, and equipment, net	\$ 10,561,124	3,223,075
Instruction	1,487,249	1,259,889
Time restrictions only:		
Deferred giving arrangements	307,609	295,656
Contributions receivable, net	284,817	119,629
Unappropriated accumulated endowment returns	5,868,265	4,207,292
	\$ 18,509,064	9,105,541

**(b) Permanently Restricted Net Assets**

Permanently restricted net assets at June 30, represent accumulated principal of endowment gifts and pledges receivable for endowment purposes, which are to be invested in perpetuity, the income and gains from which are expendable to support the following purposes:

	<b>2017</b>	<b>2016</b>
Scholarships and grants	\$ 13,311,382	11,891,228
Other restricted purposes	5,680,802	5,570,168
	\$ 18,992,184	17,461,396

**(11) Commitments and Contingencies**

**(a) Operating Leases**

The College has entered into numerous non-cancelable operating lease agreements. The commitments under such lease agreements provide for minimum annual rental payments as follows:

	<b>Amount</b>
Year ending June 30:	
2018	\$ 214,124
2019	101,249
2020	53,460
2021	47,894
	\$ 416,727

**NAZARETH COLLEGE OF ROCHESTER**

Notes to Financial Statements

June 30, 2017

Rental expense for all operating leases aggregated \$341,000 and \$182,000 for the years ended June 30, 2017 and 2016, respectively.

**(b) Line of Credit**

The College has a \$7.5 million line of credit with Manufacturers and Traders Trust Company (M&T Bank) with no stated expiration. The line of credit is on a demand basis with interest only due as scheduled. Amounts outstanding on the line of credit bear interest at LIBOR plus 2.2%, with a floor of 3.2%. At June 30, 2017 and 2016, the College had no amounts outstanding on the line of credit.

**(c) Legal Proceedings**

The College has been named as a party in legal proceedings brought against it. Management has reviewed these matters with legal counsel and in its opinion, these actions are defensible insofar as the College is concerned and settlement of these matters should have no material effect on the College's financial position or its results of operations. Consequently, no liability has been accrued related to these matters.

**(d) Other**

At June 30, 2017, the College has entered into construction contracts and commitments aggregating approximately \$11,590,000.

**(12) Subsequent Events**

For purposes of determining the effects of subsequent events on these financial statements, management has evaluated events subsequent to June 30, 2017 and through October 12, 2017, the date on which the financial statements were issued.

**APPENDIX C**  
**CERTAIN DEFINITIONS**

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## APPENDIX C

### CERTAIN DEFINITIONS

"Accountant" means a nationally or regionally recognized firm of independent certified public accountants selected by the College having expertise in the particular businesses in which the College is engaged.

"Act" means Section 1411 of the Not-For-Profit Corporation Law of the State of New York as amended.

"Act of Bankruptcy" means the filing of a petition in bankruptcy (or other commencement of a bankruptcy or similar proceeding) by or against the College as debtor or the Issuer as debtor under any applicable bankruptcy, insolvency, reorganization or similar law as now or hereafter in effect.

"Additional Bonds" means any bonds, other than the Series 2017 Bonds, issued pursuant to Section 2.13 of the Indenture.

"Annual Debt Service" means the actual sum of the principal and sinking fund installments of and interest on outstanding Long-Term Indebtedness payable during a Fiscal Year provided that (a) with respect to any Indebtedness that bears a variable rate of interest the debt service shall include any credit enhancement costs and (b) with respect to any Long-Term Indebtedness subject to an interest rate exchange agreement, the debt service shall include the net payments made to or received from the counterparty. With respect to principal and sinking fund installments paid in any Fiscal Year on outstanding Balloon Indebtedness, such debt shall be assumed to be issued on a level debt service basis with a term equaling the original term of the Indebtedness.

"Assignment" means the Pledge and Assignment.

"Authorized Investments" means any of the following: (i) Government Obligations, (ii) obligations of the Federal National Mortgage Association, (iii) obligations of the Federal Intermediate Credit Banks, (iv) obligations of the Federal Banks for Cooperatives, (v) obligations of Federal Home Land Banks, (vi) obligations of Federal Home Loan Banks, (vii) obligations of the Export-Import Bank of the United States, (viii) obligations of the U.S. Postal Service, (ix) obligations of the Government National Mortgage Association, (x) obligations of the Federal Home Loan Mortgage Corporation, (xi) obligations of the Private Export Funding Corporation, (xii) obligations of a state, territory or possession of the United States or any political subdivision of the foregoing, the interest on which is not included in gross income for federal income taxation purposes and which bear a rating in one of the two highest rating categories by a Rating Agency, (xiii) obligations described in clause (xii) above which have been advance refunded and are secured by obligations described in clause (i) above, (xiv) interest bearing accounts, interest bearing deposits or certificates of deposit issued by, or bankers' acceptances drawn or accepted by, banks or trust companies, including the Trustee, organized under the laws of the United States or any state thereof whose long term debt and bank deposits bear ratings of "A" (or its equivalent) or better by a Rating Agency, (xv) commercial paper rated "P-1" (or its equivalent) or better by a Rating Agency or units of a commercial paper portfolio or fund comprised thereof, (xvi) notes of bank holding companies and banking institutions, organized under the laws of the United States or any state thereof, bearing a rating in one of the two highest categories by a Rating Agency, (xvii) units of a taxable government money-market portfolio restricted to obligations issued or guaranteed as to payment of principal and interest by the full faith and credit of the United States or repurchase agreements collateralized by such obligations, (xviii) certificates of deposit issued by a nationally or state-chartered bank, including the Trustee or any of its affiliates, or a savings and loan association whose long term debt

and bank deposits do not bear ratings of "A" (or its equivalent) or better by a Rating Agency; provided that the principal amount of any such certificate of deposit in excess of the amount insured by the FDIC shall be fully secured and collateralized by the pledge and deposit of securities described in (i) above with a market value equal to one hundred percent (100%) of such uninsured excess principal amount, (xix) (A) demand and time deposits in, certificates of deposits of, bankers' acceptances issued by, or federal funds sold by any depository institution or trust company (including the Trustee) incorporated under the laws of the United States of America, any state thereof or the District of Columbia or any foreign depository institution with a branch or agency licensed under the laws of the United States of America or any state, subject to supervision and examination by Federal and/or State banking authorities and having an approved rating at the time of such investment or contractual commitment providing for such investment of "A" (or its equivalent) or better by a Rating Agency or (B) any other demand or time deposit certificate of deposit which is fully insured by the Federal Deposit Insurance Corporation or any successor therefor; (xx) investment agreements or repurchase agreements with any bank, trust company, national banking association (which may include the Trustee) or any other financial institution or insurance company or guaranteed thereby, provided that the institution providing such investment agreements or repurchase agreements shall be rated "A" (or its equivalent) or better by a Rating Agency, or the principal amount of such investment agreements or repurchase agreements then outstanding shall be fully secured and collateralized by the pledge and deposit of securities (including wireable securities) described in (i) and (ii) above with a market value equal to one hundred two percent (102%) of such principal amount, that the Trustee has a perfected first security interest in the collateral, that the Trustee or any agent has possession of the collateral, and that such obligations are free and clear of claims by third parties and (xxi) money market mutual funds with assets in excess of \$2,000,000,000 investing in obligations of the type specified in items (i) through (xii), (xv), (xvii) and (xx) above.

Any of the items described in (xiv), (xvi), (xviii), (xix) and (xx) above shall be only of institutions whose capital surplus (or in the case of financial institutions other than banks, net worth) is in excess of \$50,000,000.

"Authorized Representative" means with respect to the Issuer, its President, Vice President or Executive Director, with respect to the College, its President or its Vice President for Finance and Administration, and with respect to both such additional persons as, at the time, are designated to act on behalf of the Issuer or the College, as the case may be, by written certificate furnished to the Trustee and to the Issuer or the College, as the case may be, containing the specimen signature of each such person and signed on behalf of (i) the Issuer by its President, its Vice President or its Executive Director, or (ii) the College by its President or its Vice President for Finance and Administration.

"Balloon Indebtedness" shall mean Long-Term Indebtedness of which 25% or more in principal amount matures, or is required to be purchased by the College (either automatically or at the option of the holder of such Balloon Indebtedness), or otherwise comes due in any one year.

"Bond" or "Bonds" means the Series 2017 and any Additional Bonds, authorized to be issued pursuant to the Indenture to finance, refinance and/or reimburse all or a portion of the Cost of the Facility.

"Bond Counsel" means the law firm of Harris Beach PLLC or an attorney or firm of attorneys whose experience in matters relating to the issuance of obligations by states and their political subdivisions is nationally recognized.

"Bond Fund" means the fund so designated which is created by Section 4.01 of the Indenture.

"Bondholder" or "Holder" or "Owner" means the registered owner at the time in question of any Bond, as shown on the registration books maintained by the Bond Registrar pursuant to the Indenture.

"Bond Payment Date" means any date on which a Debt Service Payment shall be payable on any of the Bonds according to their terms so long as any of the Bonds shall be Outstanding.

"Bond Proceeds" means, the sum of the face amount of the Series 2017 Bonds plus accrued interest, if any, premium, if any, less the sum of the original issue discount plus the underwriter's spread or similar discount, if any.

"Bond Purchase Agreement" means the Bond Purchase Agreement, dated December 12, 2017, by and among the Issuer, the College and the Underwriter.

"Bond Registrar" means the Trustee, acting as such, and any successor bond registrar for the Bonds appointed pursuant to Article IX of the Indenture, their respective successors and any other corporation which may at any time be substituted in their respective places pursuant to the Indenture.

"Bond Resolution" means, collectively, the resolution adopted by the Issuer on December 5, 2017 authorizing the issuance, execution, sale and delivery of the Series 2017 Bonds and the execution and delivery of Issuer Documents, as such resolution may be amended or supplemented from time to time.

"Bond Year" means the one-year period beginning on the day after the expiration of the preceding Bond Year. The first Bond Year begins on the dated date of original issuance of the Bonds and ends one year later.

"Business Day" means a day other than a Saturday, Sunday, legal holiday or other day on which the Trustee is authorized by law or executive order to remain closed.

"Capital Additions" means all property or interests in property, real, personal and mixed (a) which constitute additions, improvements or extraordinary repairs to or replacements of all or any part of the Facility, and (b) the cost of which is properly capitalized under generally accepted accounting principles.

"Capitalized Interest Account" means the account of the Project Fund so designated which is created by the Indenture.

"Certificates of Authentication of the Trustee" and "Trustee's Certificates of Authentication" means the certificates executed by an authorized officer of the Trustee certifying the due authentication of the Series 2017 Bonds in the aggregate principal amount of \$31,645,000.

"Closing" or "Closing Date" means the date of the sale and delivery of the Series 2017 Bonds and the delivery of the Financing Documents.

"Code" means the Internal Revenue Code of 1986, as amended, and the final, temporary and proposed regulations of the United States Department of the Treasury promulgated thereunder. References to Sections of the Code shall be construed also to refer to successor and renumbered sections.

"College" means Nazareth College of Rochester, a not-for-profit education corporation and organization described in Section 501(c)(3) of the Code, organized and existing under the laws of the State of New York, with an office located at 4245 East Avenue, Rochester, New York 14618 and its successors and assigns.

"College Documents" means the Loan Agreement, the Tax Compliance Agreement, the Pledge and Security Agreement, the Continuing Disclosure Agreement, the Preliminary Official Statement and the Official Statement.

"Commercial Code" shall mean the Uniform Commercial Code, as the same may from time to time be in effect in the State.

"Completion Date" means the date of completion of the acquisition, construction and equipping of the Facility, as certified pursuant to the Loan Agreement.

"Computation Period" means each period from the date of original issuance of the Bonds through the date on which a determination of the Rebate Amount is made.

"Condemnation" means the taking of title to, or the use of, Property under the exercise of the power of eminent domain by any governmental entity or other Person acting under Governmental Authority.

"Continuing Disclosure Agreement" means the Continuing Disclosure Agreement, dated as of December 1, 2017, by and between the College and Digital Assurance Certification, L.L.C., as dissemination agent, as the same may be amended or supplemented from time to time.

"Contract Term" means the period commencing with the Closing Date and continuing until the principal of, premium, if any, and interest on the Bonds have been paid in full, or provision therefor has been made pursuant to Article VII of the Indenture, and all other amounts due under the Loan Agreement have been paid in full.

"Cost of the Facility" means the Project Costs.

"Debt Service Payment" means, with respect to any Bond Payment Date, (i) the interest payable on such Bond Payment Date on the Bonds Outstanding, plus (ii) the principal, if any, payable on such Bond Payment Date on the Bonds Outstanding, plus (iii) the premium, if any, payable on such Bond Payment Date on the Bonds Outstanding.

"Default Rate" means nine percent (9.00%) or the maximum rate permitted by law, that being the rate at which interest accrues on the Bonds from and after the date of occurrence of an Event of Default and for so long as such Event of Default remains in effect.

"Defeasance Obligations" shall mean (i) cash; (ii) U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series – (SLGS)); (iii) direct obligations of the U.S. Treasury which have been stripped by the U.S. Treasury; (iv) obligations of Resolution Funding Corp. ("REFCORP") (*provided, however*, that, only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book-entry form shall qualify as Defeasance Obligations); (v) pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by S&P (*provided, however*, that, if such pre-refunded municipal bonds are only rated by S&P, then such pre-refunded bonds shall have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or "AAA" rated pre-refunded municipals; and (vi) obligations issued by the following agencies which are backed by the full faith and credit of the U.S.: (a) U.S. Export-Import Bank (Eximbank) Direct Obligations or fully guaranteed certificates of beneficial ownership; (b) Farmers Home Administration (FmHA); (c) Federal Financing Bank; (d) General Services Administration; Participation Certificates; (e) U.S. Maritime Administration; (f) Guaranteed Title XI financing; and (g) U.S. Department of Housing and Urban Development (HUD) Project Notes, Local Authority Bonds, New Communities Debentures –

U.S. government guaranteed debentures, U.S. Public Housing Notes and Bonds – U.S. government guaranteed public housing notes and bonds.

"Depository" or "DTC" means The Depository Trust Company, New York, New York, and its successors and assigns.

"Determination of Taxability" means with respect to the Bonds:

(A) a final determination by any court of competent jurisdiction or a final determination by the Internal Revenue Service to which the College shall consent or from which no timely appeal shall be taken to the effect that interest on the Bonds is includable in the gross income of the Owner thereof for Federal income tax purposes;

(B) ninety (90) days after receipt by the Issuer, the Trustee or the College of written notice that the Internal Revenue Service has issued a "notice of deficiency" or similar notice to any present or former Holder of a Bond assessing a tax in respect of any interest on the Bonds as a result of such interest being includable in gross income for Federal income tax purposes, provided that such notice has not been withdrawn by the Internal Revenue Service and from which such Holder (or the College or the Trustee on behalf of the Holder, if allowable) has not filed a timely petition in the United States Tax Court contesting the same; or

(C) the delivery to the College, the Trustee and the Issuer of an opinion of Bond Counsel to the effect that interest on the Bonds is includable in the gross income of a Holder thereof for Federal income tax purposes.

Nothing in this definition of "Determination of Taxability" shall be construed to mean that the Trustee, the College or any Holder of any Bond shall have any obligation to contest or appeal any assertion or decision that any interest payable under the Bonds is subject to taxation.

Notwithstanding the foregoing, in no event shall the imposition of an alternative minimum tax or preference tax or environmental tax or branch profits tax on any Bondholder, the calculation of which included the interest on the Bonds, be considered a Determination of Taxability.

"Earnings Fund" means the fund so designated which is created by the Indenture.

"Equipment" means all machinery, equipment and other tangible personal property used and to be used in connection with the Facility and acquired in whole or in part with Bond Proceeds with such additions thereto and substitutions therefor as may exist from time to time.

"Event of Default" means any of those events defined as Events of Default by the Indenture or, when used with respect to the Loan Agreement, any of those events defined as Events of Default by the Loan Agreement.

"Extraordinary Services" and "Extraordinary Expenses" means all services rendered and all reasonable, out-of-pocket expenses incurred by the Trustee or any Paying Agent under the Indenture other than Ordinary Services and Ordinary Expenses including but not limited to, the services rendered and expenses reasonably incurred by the Trustee with respect to any Event of Default under the Financing Documents, or the happening of an occurrence which, with the passage of time or the giving of a notice, would ripen into an Event of Default.

"Facility" shall have the meaning assigned to such term in the WHEREAS paragraphs of this Indenture.

"Favorable Opinion of Bond Counsel" shall mean, with respect to any action, the occurrence of which requires such an opinion, an unqualified Opinion of Counsel, which shall be a Bond Counsel, to the effect that such action is permitted under the Act and the Indenture and will not impair the exclusion of interest on the Bonds from gross income for purposes of Federal income taxation (subject to the inclusion of any exceptions contained in the opinion delivered upon original issuance of the Bonds).

"Financing Documents" or "Bond Documents" means, collectively, the Bonds, the Indenture, the Loan Agreement, the Pledge and Assignment, the Pledge and Security Agreement, the Tax Compliance Agreement, the Continuing Disclosure Agreement, any other document or instrument executed in connection therewith to secure the College's obligation to repay the Series 2017 Bonds or make the debt service payments due under the Loan Agreement, and any other instrument or document supplemental thereto.

"Fiscal Year" means the fiscal year of the College currently commencing on each July 1 and ending on June 30 of the following year.

"Fixed Interest Rate" means the interest rates on the Bonds as set forth in the Indenture, from and including the date of issuance of the Bonds through but not including the final maturity date on the Bonds.

"Governmental Authority" means the United States, the State, and any other state or any political subdivision thereof, and any agency, department, commission, board, bureau or instrumentality of any of these, having jurisdiction over the construction, equipping, ownership, leasing, operation and/or maintenance of the Facility.

"Governmental Obligations" means (i) any bonds or other obligations of the United States of America which, as to principal and interest, constitute direct obligations of or are guaranteed by the United States of America, (ii) any bonds, debentures, participation certificates, notes or other obligations of any agency or other corporation which has been or may hereafter be created by or pursuant to an Act of Congress of the United States as an agency or instrumentality thereof, the bonds, debentures, participation certificates, notes or other obligations of which are unconditionally guaranteed by the United States of America, (iii) any bond or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any state (a) which are not callable prior to maturity or as to which irrevocable instructions have been given to the trustee or other fiduciary of such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified in such instructions, (b) which are secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in clause (i) above which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (iii), as appropriate, and (c) as to which the principal of and interest on the bonds and obligations of the character described in clause (i) above which have been deposited in such fund along with any cash on deposit in such fund are sufficient to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this clause (iii) on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (iii), as appropriate; and (iv) any certificates or other evidences of an ownership interest in obligations of the character described in clauses (i) and (ii) above or in specific

portions thereof, including, without limitation, portions consisting solely of the principal thereof or solely of the interest thereon.

"Hazardous Materials" means any flammable explosives, radon, radioactive materials, asbestos, urea formaldehyde foam insulation, polychlorinated biphenyls, petroleum, petroleum-based products, methane, hazardous materials, hazardous wastes, hazardous or toxic substances or related materials as set forth in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (42 U.S.C. Sections 9601, et seq.), the Hazardous Materials Transportation Act, as amended (49 U.S.C. Sections 1801, et seq.), the Resource Conservation and Recovery Act, as amended (42 U.S.C. Sections 6901, et seq.), the Toxic Substances Control Act, as amended (15 U.S.C. Sections 2601, et seq.), Articles 15 or 27 of the New York Environmental Conservation Law, or any other applicable Environmental Law and the regulations promulgated thereunder.

"Indebtedness" shall mean without duplication, (i) all Long-Term Indebtedness of the College for borrowed moneys or which has been incurred or assumed in connection with the Project, (ii) all Long-Term Indebtedness, no matter how created, secured by the Facility or other property of the College, whether or not such indebtedness is assumed by the College, (iii) the liability of the College under any lease of real or personal property that is properly capitalized on the balance sheet of the College in accordance with generally accepted accounting principles, and (iv) any guaranty by the College of any other Person for borrowed moneys or which has been incurred or assumed by such Person in connection with the acquisition of property or the leasing of real or personal property which is properly capitalized on the balance sheet of such Person in accordance with generally accepted accounting principles, excluding Indebtedness that has been defeased.

"Indenture" means the Indenture of Trust, dated as of December 1, 2017, by and between the Issuer and the Trustee pursuant to which the Series 2017 Bonds are authorized to be issued, as may be amended or supplemented by any additional Supplemental Indenture.

"Independent Counsel" means an attorney or attorneys or firm or firms of attorneys duly admitted to practice law before the highest court in the State.

"Interest Payment Date" means each April 1 and October 1 (or the next succeeding Business Day if such first day is not a Business Day), commencing with April 1, 2018.

"Issuer" means (i) Monroe County Industrial Development Corporation and its successors and assigns and (ii) any not-for-profit corporation resulting from or surviving any consolidation or merger to which the Monroe County Industrial Development Corporation or its successors or assigns may be a party.

"Issuer Documents" means the Bonds, the Indenture, the Loan Agreement, the Pledge and Assignment and the Tax Compliance Agreement.

"Land" means the real property which is the site of the Facility.

"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, encumbrance, pledge, conditional sale or trust receipt or a lease, consignment or bailment for security purposes. The term "Lien" includes reservations, exceptions, encroachments, easements, rights of way, covenants, conditions, restrictions, leases and other similar encumbrances, including but not limited to, mechanics', materialmen's, warehousemen's and carriers' liens and other similar encumbrances affecting real property. For the 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 Agreement" means the Loan Agreement, dated as of December 1, 2017, by and between the Issuer and the College pursuant to which the Issuer loans the proceeds of the Series 2017 Bonds to the College with the debt-service payments thereunder to be in an amount sufficient to pay, among other things, the principal of and interest on the Series 2017 Bonds.

"Long-Term Indebtedness" means all indebtedness having an original maturity of greater than one (1) year or indebtedness on which the College has an option to extend the maturity thereof for a period of greater than one (1) year beyond the date of the original incurrence thereof.

"Loss Event" means in the event that at any time during the term of the Loan Agreement, the whole or part of the Facility shall be damaged or destroyed, or the whole or any part of the Facility shall be taken or condemned by a competent authority for any public use or purpose, or by agreement between the Issuer and those authorized to exercise such right, or if the temporary use of the Facility or any part thereof shall be so taken by condemnation or agreement.

"Management Consultant" means a nationally recognized accounting or management consulting firm or other similar firm, experienced in reviewing and assessing the operations of institutions of higher education.

"Maximum Annual Debt Service" means on any date, the greatest amount required in the then current or future Fiscal Year of Annual Debt Service solely with respect to the Series 2017 Bonds.

"Net Investment in Plant" shall have the meaning ascribed to such term under generally accepted accounting principles.

"Net Proceeds" means so much of the gross proceeds with respect to which that term is used as remain after payment of all expenses, costs and taxes (including attorneys' fees and disbursements and Trustee's fees and disbursements) incurred in obtaining such gross proceeds.

"Office of the Trustee" means the corporate trust offices of the Trustee located at One M&T Plaza, 7<sup>th</sup> Floor, Buffalo, New York 14203.

"Official Statement" means the Official Statement of the Issuer, dated the date thereof, with respect to the offering and sale of the Series 2017 Bonds.

"Opinion of Counsel" shall mean a written opinion of counsel who may (except as otherwise expressly provided in the Loan Agreement or any other Financing Document) be counsel for the College or the Issuer and who shall be acceptable to the Trustee.

"Ordinary Services" and "Ordinary Expenses" means those services normally rendered and those reasonable, out-of-pocket expenses normally incurred by a trustee or paying agent under instruments similar to the Indenture, including reasonable fees and disbursements of counsel to the Trustee.

"Outstanding" or "Bonds Outstanding" or "Outstanding Bonds" means when used with reference to a Bond or Bonds, as of any particular date, all Bonds which have been issued, executed, authenticated and delivered under the Indenture, except:



(i) Bonds cancelled by the Trustee because of payment or redemption prior to maturity or surrendered to the Trustee under the Indenture for cancellation;

(ii) any Bond (or portion of a Bond) for the payment or redemption of which there has been separately set aside and held in the Bond Fund either:

(A) moneys and/or

(B) Defeasance Obligations in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications as shall be necessary to provide moneys,

in an amount sufficient to effect payment of the principal or applicable Redemption Price of such Bond, together with accrued interest on such Bond to the payment or redemption date, which payment or redemption date shall be specified in irrevocable instructions given to the Trustee to apply such moneys and/or Defeasance Obligations to such payment on the date so specified, provided, that, if such Bond or portion thereof is to be redeemed, notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice; and

(iii) Bonds in exchange for or in lieu of which other Bonds shall have been authenticated and delivered under Article IV of the Indenture,

provided, however, that, in determining whether the Holders of the requisite principal amount of Bonds Outstanding have given any request, demand, authorization, direction, notice, consent or waiver under the Indenture, such Bonds including Series 2017 Bonds owned by the College or any affiliate of the College shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds which the Trustee knows to be so owned shall be so disregarded. Bonds which have been pledged in good faith to a Person may be regarded as Outstanding for such purposes if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Bonds and that the pledgee is not the College or any affiliate of the College.

"Parity Obligations" means Indebtedness of the College incurred in accordance with the Pledge and Security Agreement including obligations of the College to one or more commercial banks or financial institutions obligated to contribute to making loans, purchasing bonds or otherwise making funds available as security for the payment of the principal and interest when due on Indebtedness of the College incurred in accordance with the Pledge and Security Agreement.

"Participant" means any of those brokers, dealers, banks and other financial institutions from time to time for which the Depository holds Bonds as securities depository.

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

"Permitted Encumbrances" means:

(i) the Pledge and Assignment, the Pledge and Security Agreement, the Indenture and any other Financing Document;

(ii) liens for real estate taxes, assessments, levies and other governmental charges, the payment of which is not in default;

(iii) utility, access and other easements and rights-of-way restrictions and exceptions that an Authorized Representative of the College certifies to the Issuer and the Trustee will not interfere with or impair the College's use of the Facility as provided in the Loan Agreement;

(iv) such minor defects, irregularities, encumbrances, easements, rights-of-way and clouds on title as normally exist with respect to property similar in character to the Facility and as do not, either singly or in the aggregate, materially impair the property affected thereby for the purpose for which it is owned by the College;

(v) any mechanic's, workmen's, repairmen's, materialmen's, contractors', warehousemen's, carriers', suppliers' or vendors' lien or right in respect thereof if payment is not yet due and payable, or are insured over, or which are not delinquent, or the amount or validity of which, are being contested and execution thereon is stayed or has been due for less than 90 days;

(vi) any mortgage, lien, security interest or other encumbrance which exists in favor of the Trustee;

(vii) any lien on Property, Plant or Equipment not in violation of the Loan Agreement;

(viii) such other liens and exceptions to title that do not materially impair the value of the Facility as approved in writing by the Trustee;

(ix) deposits, endorsements, guaranties, and other encumbrances incurred in the ordinary course of business and which do not secure Indebtedness;

(x) liens granted on a parity or subordinate basis with the Liens granted to the Trustee as security for the Bonds to secure indebtedness incurred or permitted pursuant to the Loan Agreement;

(xi) Liens to secure Indebtedness permitted to be incurred pursuant to the Loan Agreement;

(xii) any Lien permitted under the Pledge and Security Agreement; and

(xiii) those Liens on the Facility in existence as of the date of the Indenture.

"Person" means an individual, partnership, corporation, trust or unincorporated organization, and a government or agency or political subdivision or branch thereof.

"Pledge and Assignment" means the Pledge and Assignment, dated as of December 1, 2017, by and between the Issuer and the Trustee, pursuant to which the Issuer assigns to the Trustee substantially all of its rights under the Loan Agreement (except the Unassigned Rights).

"Pledge and Security Agreement" means the Pledge and Security Agreement, dated as of December 1, 2017, by and between the College and the Trustee, as amended or supplemented from time to time.

"Pledged Revenues" shall mean all receipts, revenues, income, installment payments and other moneys received by or on behalf of the College, and all rights to receive the same whether in the form of accounts receivable, general intangibles, contract rights, chattel paper, instruments or other rights and the proceeds thereof, and any insurance proceeds and condemnation awards therefrom to the extent legally available therefor.

"Preliminary Official Statement" means the Preliminary Official Statement of the Issuer, dated the date thereof, as may be supplemented, with respect to the offering and sale of the Series 2017 Bonds.

"Project" shall have the meaning assigned to such term in the WHEREAS paragraphs of this Indenture..

"Project Costs" shall have the meaning assigned to such term in the WHEREAS paragraphs of this Indenture.

"Project Fund" means the fund so designated which is created by the Indenture.

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

"Property, Plant and Equipment" shall mean all property of the College that is considered net property, plant and equipment under generally accepted accounting principles.

"Rating Agency" means any nationally recognized securities rating agency.

"Rebate Amount" means the amount computed as described in the Tax Compliance Agreement.

"Rebate Fund" means the fund so designated pursuant to Section 4.01 of the Indenture.

"Record Date" means the Regular Record Date or the Special Record Date, as the case may be.

"Redemption Date" means the date determined by the Trustee, following receipt by the Trustee of notice from the Issuer or the College, on behalf of the Issuer, pursuant to the Indenture as of the date as of which a redemption shall be effective.

"Redemption Price" means, when used with respect to a Bond, the principal amount thereof plus the applicable redemption premium, if any, payable thereon, plus accrued interest to the Redemption Date.

"Regular Record Date" means, with respect to any Bond Payment Date, the fifteenth (15<sup>th</sup>) day of the calendar month (whether or not a Business Day) next preceding such Bond Payment Date.

"Renewal Fund" means the fund so designated and created pursuant to Section 4.01 of the Indenture.

"Reporting Date" means the reporting date of compliance with the Loan Agreement, such date being no later than one hundred fifty (150) days following the end of each Fiscal Year.

"Request for Disbursement" means a request for disbursement by the College to the Trustee substantially in the form of Exhibit B attached to the Indenture.

"Reserved Rights" means the Unassigned Rights.

"Revenue Fund" means the fund so designated and created pursuant to the Pledge and Security Agreement.

"SEQR Act" means the State Environmental Quality Review Act, as amended and the regulations thereunder.

"Series 2008 Bonds" means the County of Monroe Industrial Development Agency d/b/a Imagine Monroe Powered by COMIDA's \$9,030,000 original principal amount Variable Rate Demand Civic Facility Revenue Bonds (Nazareth College of Rochester Project), Series 2008.

"Series 2008 Letter of Credit and Reimbursement Agreement" means that certain Letter of Credit and Reimbursement Agreement, dated as of January 1, 2008, as the same may be amended or supplemented, by and between the College and JPMorgan Chase Bank, N.A.

"Series 2008 Revenue Pledge" means the security interest in Gross Revenues (as defined in the Series 2008 Letter of Credit and Reimbursement Agreement) of the College granted by the College to JPMorgan Chase Bank, N.A. under the terms of the Series 2008 Letter of Credit and Reimbursement Agreement.

"Series 2011 Bonds" means the Issuer's \$23,765,000 Tax-Exempt Revenue Bonds (Nazareth College of Rochester Project), Series 2011.

"Series 2011 Pledge and Security Agreement" means the Pledge and Security Agreement, dated as of July 1, 2011, from the College to Manufacturers and Traders Trust Company, as trustee, as amended or supplemented from time to time, and executed in connection with the issuance of the Series 2011 Bonds.

"Series 2011 Revenue Pledge" means the security interest in Pledged Revenues (as defined in the Series 2011 Pledge and Security Agreement) of the College granted by the College to Manufacturers and Traders Trust Company, as trustee, under the terms of the Series 2011 Pledge and Security Agreement.

"Series 2013 Bonds" means the Issuer's \$18,200,000 Revenue Refunding Bonds (Nazareth College of Rochester Project), Series 2013 consisting of: (A) \$13,905,000 Tax-Exempt Revenue Refunding Bonds (Nazareth College of Rochester Project), Series 2013A and (B) \$4,295,000 Taxable Revenue Refunding Bonds (Nazareth College of Rochester Project), Series 2013B.

"Series 2013 Pledge and Security Agreement" means the Pledge and Security Agreement, dated as of June 1, 2013, from the College to Manufacturers and Traders Trust Company, as trustee, as amended or supplemented from time to time, and executed in connection with the issuance of the Series 2013 Bonds.

"Series 2013 Revenue Pledge" means the security interest in Pledged Revenues (as defined in the Series 2013 Pledge and Security Agreement) of the College granted by the College to Manufacturers and Traders Trust Company, as trustee, under the terms of the Series 2013 Pledge and Security Agreement.

"Series 2017 Bonds" means the Issuer's \$31,645,000 Tax-Exempt Revenue Bonds (Nazareth College of Rochester Project), Series 2017.

"Special Record Date" means a date for the payment of interest on the Bonds after an Event of Default has occurred fixed by the Trustee pursuant to Section 2.03(b) of the Indenture.

"State" means the State of New York.

"Subordinated Indebtedness" means any indebtedness of the College that is not secured by any Lien on the Pledged Revenues, or that is secured by a Lien upon the Pledged Revenues that is by its terms expressly subordinated to the Lien on the Pledged Revenues created by the Pledge and Security Agreement.

"Supplemental Indenture" means any indenture supplemental to or amendatory of the Indenture, which may be executed by the Issuer and the Trustee in accordance with Article X of the Indenture.

"Tax Compliance Agreement" means the Tax Compliance Agreement, dated the Closing Date, by and between the Issuer and the College, as the same may be amended, modified or supplemented from time to time in accordance with the terms thereof and the Indenture.

"Tax-Exempt Organization" means any corporation (or other entity) determined by the Internal Revenue Service to be exempt from taxation for federal income tax purposes.

"Tax Incidence Date" means the date as of which interest on the Bonds first becomes taxable as a result of the occurrence of a Determination of Taxability.

"Taxable Rate" means the lesser of thirteen percent (13%) per annum or the maximum rate permitted by law, that being the rate at which interest accrues on the Bonds from and after the Tax Incidence Date.

"Temporarily Restricted Net Assets" shall have the meaning as ascribed to such term under generally accepted accounting principles.

"Testing Date" means the last day of the College's Fiscal Year.

"Trustee" means Manufacturers and Traders Trust Company, a banking corporation organized and existing under the laws of the State of New York, as Trustee under the Indenture, and any corporation resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor trustee at the time serving as such under the Indenture.

"Trust Estate" means all Property which may from time to time become subject to the Lien of the Indenture.

"Unassigned Rights" shall mean collectively:

(i) the right of the Issuer in its own behalf to receive all Opinions of Counsel, reports, financial statements, certificates, insurance policies, binders or certificates, or other notices or communications required to be delivered to the Issuer under the Loan Agreement;

(ii) the right of the Issuer to grant or withhold any consents or approvals required of the Issuer under the Loan Agreement;

(iii) the right of the Issuer to enforce, in its own behalf, the obligation of the College to complete the Project;

(iv) the right of the Issuer, in its own behalf (or on behalf of the appropriate taxing authorities), to enforce, receive amounts payable under or otherwise exercise its rights under Sections 1.5,

2.1, 2.2, 3.1, 4.1, 4.2, 4.3, 4.4, 4.5, 4.6, 5.1, 6.1, 6.2, 6.3, 6.5, 6.6, 6.10, 6.11, 6.13, 6.18, 6.19, 7.7, 8.1, 8.2, 8.4, 9.3, 9.10, 9.13, 9.17, 9.18 and 9.19 of the Loan Agreement; and

(v) the right of the Issuer, in its own behalf, to declare an Event of Default under Section 7.1 of the Loan Agreement with respect to any of the Unassigned Rights.

"Underwriter" means Merrill Lynch, Pierce, Fenner & Smith Incorporated and its successors or assigns.

"Unrestricted Net Assets" shall have the meaning as ascribed to such term under generally accepted accounting principles.

[END OF APPENDIX C]

**APPENDIX D**

**SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE**

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## APPENDIX D

### SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

*The following description of certain provisions of the Indenture is only a brief outline of some of the provisions thereof, and does not purport to summarize or describe all of the provisions thereof. Reference is made to the Indenture for details of the provisions thereof.*

All terms not otherwise defined below shall have the meaning given to such terms in Appendix C attached to the Official Statement.

#### **Delivery of Series 2017 Bonds**

Upon the execution and delivery of the Indenture, the Issuer shall execute and deliver the Series 2017 Bonds to the Trustee and the Trustee shall authenticate the Series 2017 Bonds and deliver them upon receipt of the Bond Proceeds in accordance with the directions of the Issuer and the provisions of the Indenture. (Section 2.07)

#### **Additional Bonds**

(a) The Issuer may issue Additional Bonds under the Indenture from time to time on a pari passu basis with the Series 2017 Bonds issued under the Indenture for any of the purposes listed below:

(1) To pay the cost of completing the Facility or completing an addition thereto based on the original general design and scope of the Facility or such addition thereto set forth in the original plans and specifications therefor, with such changes as may have become necessary to carry out such original design, or to reimburse expenditures of the College for any such costs;

(2) To pay the cost of Capital Additions or to reimburse expenditures of the College for any such cost;

(3) To pay the cost of refunding through redemption of any Outstanding Bonds issued under the Indenture and subject to such redemption; or

(4) To pay the cost of any additional project approved by the Issuer.

(b) In any such event the Trustee shall, at the written request of the Issuer, authenticate the Additional Bonds and deliver them as specified in the request, but only upon receipt of:

(1) (A) a Supplemental Indenture setting forth the terms of the Additional Bonds and, for Additional Bonds described in subsection (a)(2) or (4) above, describing the Capital Additions to become part of the Facility; and (B) a supplement to the Loan Agreement providing for additional Debt Service Payments to be made by the College sufficient to cover the debt service due on the Additional Bonds.

(2) for Additional Bonds described in subsection (a)(1), (a)(2) or (a) (4) above, a certificate signed by the chief executive officer or chief financial officer of the College stating that (A) the proceeds of the Additional Bonds plus other amounts, if any, available to the College for the purpose will be sufficient to pay the cost thereof; and (B) payments and additional payments, if any, scheduled to be paid by the College under the Loan Agreement will be adequate

to satisfy all of the Debt Service Payments required to be made on the Bonds to remain Outstanding during the remaining life thereof; provided, however, such Additional Bonds shall not be issued to cure any deficiencies existing on the date of such certification in any funds required to be maintained under the Indenture;

(3) for Additional Bonds described in subsection (a)(1) above, a certificate of an Authorized Representative of the College stating (A) the estimated cost of completion of the Facility or the addition thereto and (B) that all approvals required for completion of the Facility or addition thereto have been obtained, other than building permits for any portions of the Facility or such addition thereto which, based on consultations with the College and contractor or other construction manager, will be obtained in due course so as not to interrupt or delay construction of the Facility or such addition thereto and other than licenses or permits required for occupancy or operation of the Facility or such addition thereto upon its completion;

(4) for Additional Bonds described in subsection (a)(3) above, (A) a certificate of an Authorized Representative of the College that notice of redemption of the Bonds to be refunded has been given or that provisions have been made therefor, and (B) a certificate of an Accountant stating that the proceeds of the Additional Bonds plus the other amounts, if any, stated to be available for the purpose, will be sufficient to accomplish the purpose of the refunding and to pay the cost of refunding, which shall be itemized in reasonable detail;

(5) for any Additional Bonds, a certified resolution of the Issuer (A) stating the purpose of the issue, (B) establishing the series of Additional Bonds to be issued and providing the terms and form of Additional Bonds thereof and directing the payments to be made into the funds established under the Indenture, (C) authorizing the execution and delivery of the Additional Bonds to be issued and (D) authorizing redemption of any previously issued Bonds which are to be refunded;

(6) for any Additional Bonds, a certificate of an Authorized Representative of the College stating (A) that no Event of Default under the Indenture or under the Loan Agreement has occurred and is continuing (except, in the case of Additional Bonds described in subsection (a)(1) above, for an Event of Default, if any, resulting from non-completion of the Facility or an addition to the Facility) and (B) that the proceeds of the Additional Bonds plus other amounts, if any, stated to be available for that purpose will be sufficient to pay the costs for which the Additional Bonds are being issued, which shall be itemized in reasonable detail;

(7) for any Additional Bonds, a certified resolution of the Board of Trustees of the College (A) approving the issuance of the Additional Bonds and the terms thereof, (B) authorizing the execution of any required amendments or supplements to the Indenture and the Loan Agreement, (C) for Additional Bonds described in subsection (a)(1) or (2) above, approving plans and specifications for the Facility or an addition thereto, and (D) for Additional Bonds described in subsection (a)(3) above, authorizing redemption of the Bonds to be refunded;

(8) for any Additional Bonds, an opinion or opinions of Bond Counsel to the effect that (A) the purpose of the Additional Bonds is one for which Additional Bonds may be issued under the Indenture, (B) all conditions prescribed herein as precedent to the issuance of the Additional Bonds have been fulfilled, (C) the Additional Bonds have been validly authorized and executed and when authenticated and delivered pursuant to the request of the Issuer will be valid, legally binding, special obligations of the Issuer, and are entitled to the benefit and security of the Indenture, (D) all consents of any regulatory bodies required as a condition to the valid issuance of the Additional Bonds have been obtained and (E) issuance of such Additional Bonds will not adversely affect the tax status of Outstanding Bonds;

(9) for any Additional Bonds, a certificate of an Authorized Representative of the College evidencing the College's Unrestricted Net Assets plus Temporarily Restricted Net Assets less Net Investment in Plant, all as shown on the College's most recent audited financial statements, will be at a level at least equal to one times (1.00x) its outstanding Indebtedness and proposed Indebtedness; and

(10) for Additional Bonds described in Subsection (a)(1), (a)(2) or (a) (4) above, an opinion of Independent Counsel to the College reasonably acceptable to the Issuer. (Section 2.13)

### **Establishment of Funds and Accounts; Application of Series 2017 Bond Proceeds and Allocation Thereof**

In connection with the Series 2017 Bonds, the Indenture requires the establishment of the following trust funds and accounts with the Trustee: (i) the Project Fund, within which there shall a Capitalized Interest Account, (ii) the Bond Fund, (iii) the Renewal Fund, (iv) the Rebate Fund, within which there shall be two (2) accounts: (1) the Principal Account and (2) the Earnings Account and (v) the Earnings Fund. Upon the receipt of the proceeds of the Bonds, the Trustee shall deposit such proceeds as follows: (a) in the Bond Fund: all accrued interest, if any, paid by the purchaser of the Bonds; and (b) in the Project Fund: the balance of the proceeds received from the sale of the Bonds, provided that, of such balance of the proceeds of the Bonds, the Trustee shall credit to the Capitalized Interest Account of the Project Fund such amount as is certified to the Trustee by the Issuer. (Section 4.01 and 4.02)

### **Use of the Moneys in the Project Fund**

Moneys in the Project Fund shall be applied and expended by the Trustee in accordance with the provisions of the Loan Agreement and the Indenture; provided further that, during the time prior to the Completion Date of the Facility, the Trustee is hereby authorized to disburse from the Capitalized Interest Account of the Project Fund on the Business Day prior to an Interest Payment Date for the Bonds, for deposit into the Bond Fund, such amount, together with amounts already available as is sufficient to pay the interest on the Bonds coming due on such Interest Payment Date (or, if insufficient funds are then on deposit, the balance of such Capitalized Interest Account). The Trustee, under the Indenture, is authorized and directed to issue its checks or make wire transfers for each disbursement from the Project Fund, upon receipt of certain documents as required by the Indenture. Following receipt by the Trustee of certain final documents as described in the Indenture, the Trustee shall without further authorization transfer any remaining funds into the Bond Fund. If an Event of Default shall have occurred under the Indenture and the Outstanding principal amount of the Bonds shall have been declared due and payable under the Indenture, the entire balance remaining in the Project Fund, after making the transfer to the Rebate Fund required by the Tax Compliance Agreement and the Indenture, shall be transferred to the Bond Fund. (Section 4.04)

### **Payments into the Bond Fund; Use of Moneys in the Bond Fund**

The Trustee shall deposit into the Bond Fund when and as received the following: (i) accrued interest, if any, on the Bonds as provided in the Indenture, (ii) any and all debt service payments received by the Trustee under the Loan Agreement, (iii) the balance in the Project Fund, the Renewal Fund, the Earnings Fund and the Rebate Fund to the extent specified in the Indenture, (iv) the amount of net income or gain received from the investments of moneys in the Bond Fund and (v) all other moneys received by the Trustee pursuant to any of the provisions of the Loan Agreement or the Indenture which by the terms of the Loan Agreement or the Indenture are required to be or which are accompanied by directions that such moneys are to be paid into the Bond Fund. (Section 4.05)

So long as there remain any Bonds Outstanding, moneys in the Bond Fund shall be used solely for the payment, when due, of Debt Service Payments on the Bonds or for the redemption of the Bonds as provided in the Indenture. (Section 4.06)

#### **Payments into Renewal Fund; Application of Renewal Fund**

The Net Proceeds resulting from any casualty insurance proceeds or Condemnation award with respect to the Facility deposited or delivered to the Trustee pursuant to the Loan Agreement shall be deposited in the Renewal Fund. The amounts in the Renewal Fund shall be subject to a security interest, lien and charge in favor of the Trustee until disbursed as provided in the Indenture. The Trustee is authorized under the Indenture to apply the amounts in the Renewal Fund to the payment (or reimbursement to the extent the same have been paid by or on behalf of the College or the Issuer) of the costs required for the rebuilding, replacement, repair and restoration of the Facility upon written instructions from the College. The Trustee is further authorized and directed to issue its checks for each disbursement from the Renewal Fund upon a requisition submitted to the Trustee, signed by an Authorized Representative of the College. (Section 4.07)

#### **Payments Into Earnings Fund; Application of Earnings Fund**

All investment income or earnings on amounts held in the Project Fund, the Renewal Fund, the Earnings Fund or any other special fund held with respect to the Bonds under any of the Financing Documents (other than the Rebate Fund or the Bond Fund) shall be deposited upon receipt by the Trustee into the Earnings Fund. Within thirty (30) days after the end of each Bond Year, or such later date that the Trustee receives the written certificate required to be delivered by or on behalf of the College pursuant to the Indenture and the Tax Compliance Agreement, the Trustee shall withdraw from the Earnings Fund an amount equal to the difference, if any, between the Rebate Amount set forth in such certificate and the amount then on deposit in the Rebate Fund. Any amounts remaining in the Earnings Fund following such transfer shall be transferred to the funds, as specifically directed by the College, which were the sources of the earnings deposited into the Earnings Fund. If an Event of Default under the Indenture shall have occurred and the outstanding principal amount of the Bonds shall have been declared due and payable, the entire balance remaining in the Earnings Fund, after making the transfer to the Rebate Fund required in the Tax Compliance Agreement and the Indenture shall be transferred to the Bond Fund and applied in accordance with the Indenture. (Section 4.08)

#### **Payments Into Rebate Fund; Application of Rebate Fund**

The Rebate Fund and the amounts deposited therein shall not be subject to a security interest, pledge, assignment, Lien or charge in favor of the Trustee, the Owner of any Bond or any other Person.

The Trustee, upon the receipt of a certification of the Rebate Amount from an Authorized Representative of the College, in accordance with the Tax Compliance Agreement, shall deposit in the Rebate Fund Principal Account within thirty (30) days after the end of each Bond Year, or such later date that the Trustee receives such certification from the College, 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. If there has been delivered to the Trustee a certification of the Rebate Amount in conjunction with the completion of the Facility pursuant to the Tax Compliance Agreement at any time during a Bond Year the Trustee shall deposit in the Rebate Fund Principal Account within thirty (30) days of the Completion Date or restoration of the Facility, or such later date that the Trustee receives such certification from the College, an amount such that the amount held in the Rebate Fund Principal Account after such deposit is equal to the Rebate Amount calculated at the Completion Date or restoration of the Facility. The amounts deposited in the Rebate Fund Principal Account pursuant to the Indenture

shall be withdrawn from the Earnings Fund, to the extent of any moneys therein and then, to the extent of any deficiency, from such fund or funds as are designated by the College to the Issuer and the Trustee in writing.

In the event that on the first day of any Bond Year the amount on deposit in the Rebate Fund Principal Account exceeds the Rebate Amount, the Trustee, upon the receipt of written instructions from an Authorized Representative of the College, shall withdraw such excess amount and prior to the Completion Date, deposit it in the Project Fund or, after the Completion Date, deposit it in the Bond Fund.

The Trustee, upon the receipt of written instructions from an Authorized Representative of the College, shall pay to the United States, out of amounts in the Rebate Fund, (i) not later than thirty (30) days after the last day of the fifth (5<sup>th</sup>) Bond Year and after every fifth (5<sup>th</sup>) Bond Year thereafter, an amount equal to ninety percent (90%) of the balance, if any, in the Rebate Fund Principal Account and the total amount on the Rebate Fund Earnings Account as of the date of such payment and (ii) notwithstanding the Indenture, not later than thirty (30) days after the date on which all Bonds have been paid in full, the balance in the Rebate Fund. (Section 4.09)

### **Investment of Moneys**

Moneys held in any fund established by the Indenture (other than the Bond Fund) shall be invested and reinvested by the Trustee in Authorized Investments, pursuant to direction by the Authorized Representative of the College. Moneys held in the Bond Fund shall be invested and reinvested, pursuant to direction by the Authorized Representative of the College, only in Governmental Obligations maturing as needed. (Section 4.11)

### **Payment to College Upon Payment of Bonds**

Except as otherwise specifically provided in the Indenture, after payment in full of (1) the principal of, premium, if any, and interest on all the Bonds (or after provision for the payment thereof has been made in accordance with the Indenture), (2) the fees, charges and expenses of the Trustee and Paying Agent, and (3) all other amounts required to be paid under the Indenture and the Loan Agreement, and provided that all moneys required to be paid into the Rebate Fund have been paid or adequately provided for, all amounts remaining in any fund established pursuant to the Indenture (except the Rebate Fund) or otherwise held by the Trustee and by any additional Paying Agent for the account of the Issuer or the College under the Indenture and the Loan Agreement shall be paid to the College. (Section 4.12)

### **Payments Due on Other Than Business Days**

In any case where a Bond Payment Date shall not be a Business Day, then payment of the principal of, premium, if any, and interest on the Bonds need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on the date due and no interest shall accrue for the period after such date. (Section 5.14)

### **Priority Rights of Trustee**

The rights and privileges of the College set forth in the Loan Agreement are specifically made subject and subordinate to the rights and privileges under the Financing Documents of the Trustee and the Holders of the Bonds. (Section 6.01)

## **Defeasance of Bonds**

Any Outstanding Bond shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning of, and with the effect expressed in, the Indenture if (i) there shall have been irrevocably deposited with the Trustee sufficient Defeasance Obligations, in accordance with the Indenture, which will, without further investment, be sufficient, together with other amounts held for such payment, to pay the principal of the Bonds when due or to redeem the Bonds at the Redemption Price, if any, in accordance with the Indenture, (ii) in the event such Bonds are to be redeemed prior to maturity in accordance with the Indenture, all action required by the provisions of the Indenture to redeem the Bonds shall have been taken or provided for to the satisfaction of the Trustee, and notice thereof in accordance with the Indenture shall have been duly given or provisions satisfactory to the Trustee shall have been made for the giving of such notice, (iii) provision shall have been made for the payment of all fees and expenses of the Trustee and of any additional Paying Agents with respect to the Bonds, (iv) the Issuer shall have been reimbursed for all of its expenses under the Financing Documents and (v) all other payments required to be made under the Loan Agreement and the Indenture with respect to the Bonds shall have been made or provided for. At such time as a Bond shall be deemed to be paid under the Indenture, as aforesaid, such Bond shall no longer be secured by or entitled to the benefit of the Indenture, except for the purposes of any such payment from such moneys or Defeasance Obligations.

For the purposes of the paragraph above, the Trustee shall be deemed to hold sufficient moneys to pay the principal of an Outstanding Bond not then due or to redeem Outstanding Bonds prior to the maturity thereof only if there shall be on deposit with the Trustee for such purpose Defeasance Obligations maturing or redeemable at the option of the holder thereof not later than (i) the maturity date of such Bonds, or (ii) the first date following the date on which such Bonds are to be redeemed pursuant to the Indenture (whichever may first occur), or both cash and such Defeasance Obligations, in an amount which, together with income to be earned on such Defeasance Obligations (without reinvestment) prior to such maturity date or Redemption Date, equals the principal due on such Bond, together with the premium, if any, due thereon and all interest thereon which has accrued and which will accrue to such maturity date or Redemption Date. The Trustee may obtain a certificate from an Accountant as to whether the cash or Defeasance Obligations held by the Trustee meet the requirements set forth in the Indenture.

Upon the defeasance of all Outstanding Bonds in accordance with the Indenture, the Trustee shall hold in trust, for the benefit of the Holders of such Bonds, all such moneys and/or Defeasance Obligations and shall make no other or different investment of such moneys and/or Defeasance Obligations and shall apply the proceeds thereof and the income therefrom only to the payment of such Bonds. (Section 7.02)

## **Events of Default**

The following shall be "Events of Default" under the Indenture, and the terms "Event of Default" or "Default" shall mean, when they are used in the Indenture, any one or more of the following events:

(a) A default in the due and punctual payment of the interest on any Bond, irrespective of notice; or

(b) A default in the due and punctual payment of the principal or Redemption Price of any Bond whether at the stated maturity thereof, upon proceedings for redemption thereof (except with respect to a proposed redemption as provided in the Indenture for which the notice of redemption shall no longer be of force or effect in accordance with the Indenture), or upon the maturity thereof by declaration or otherwise; or

(c) (i) Subject to clause (ii) below, the failure by the Issuer to observe and perform any covenant, condition or agreement under the Indenture on its part to be observed or performed (except obligations referred to in (a) and (b) above) for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, is given to the Issuer and the College by the Trustee or by the Holders of not less than fifty-one percent (51%) of the aggregate principal amount of Outstanding Bonds;

(ii) If the covenant, condition, or agreement which the Issuer has failed to observe or perform is of such a nature that it cannot reasonably be fully cured within such thirty (30) days, the Issuer shall not be in default if the Issuer commences a cure within such thirty (30) days and thereafter diligently proceeds with all action required to complete the cure, and, in any event, completes such cure within sixty (60) days of such written notice from the Trustee or the Holders of not less than fifty-one percent (51%) of the aggregate principal amount of the Bonds Outstanding, unless the Trustee or the Holders of not less than fifty-one percent (51%) of the aggregate principal amount of the Outstanding Bonds shall give their written consent to a longer period; or

(d) The occurrence and continuance of an "Event of Default" under the Loan Agreement; or

(e) The occurrence and continuance of an "Event of Default" under the Pledge and Security Agreement. (Section 8.01)

### **Acceleration**

Upon the occurrence and continuance of an 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%) of the aggregate principal amount of the Outstanding Bonds shall, by written notice delivered to the Issuer and the College declare all Bonds Outstanding immediately due and payable, and such Bonds shall become immediately due and payable, anything in the Bonds or in the Indenture to the contrary notwithstanding. (Section 8.02)

### **Enforcement of Remedies**

In the event the Bonds are declared immediately due and payable, the Trustee may, and upon the written request of the Holders as set forth in the Indenture shall, proceed forthwith to protect and enforce its rights and the rights of the Holders under the Act, the Bonds, the Indenture and the Loan Agreement by such suits, actions or proceedings as the Trustee, being advised by counsel, shall deem necessary or expedient. Upon the occurrence and continuance of any Event of Default, and upon being provided with the security and indemnity if so required pursuant to the Indenture, 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 man would exercise or use in the circumstances in the conduct of his own affairs.

The Trustee may sue for, enforce payment of and receive any amounts due or becoming due from the Issuer or the College for the payment of the principal, premium, if any, and interest on the Outstanding Bonds under any of the provisions of the Indenture, the Bonds or the Loan Agreement without prejudice to any other right or remedy of the Trustee or of the Holders.

Notwithstanding anything to the contrary contained in the foregoing paragraph, upon the occurrence and 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 the payment of the principal of, premium, if any, on and interest on the Bonds then Outstanding and to enforce and compel the performance of the duties and obligations of the Issuer and the College under the Financing Documents.

Regardless of the happening of an Event of Default, the Trustee, if requested in writing by the Holders of not less than fifty-one percent (51%) in the aggregate principal amount of the Outstanding Bonds may, and if provided with the security and indemnity required under the Indenture shall, institute and maintain such suits and proceedings as advised by such Holders shall be necessary or expedient to prevent any impairment of the Trust Estate by any acts which may be unlawful or in violation of the Indenture or of any resolution authorizing the Bonds, or to preserve or protect the interests of the Holders; provided that such request is in accordance with law and the provisions of the Indenture and, in the sole judgment of the Trustee, is not unduly prejudicial to the interests of the Holders not making such request. (Section 8.03)

### **Application of Moneys**

The Net Proceeds received by the Trustee pursuant to any right given or action taken under the provisions of and in accordance with the Indenture shall be deposited in the Bond Fund in accordance with the Indenture.

All moneys in the Bond Fund following the occurrence of an Event of Default shall be applied to the payment of the reasonable fees and expenses of the Issuer and the Trustee and then:

(i) Unless the principal of all the Bonds shall have become due or shall have been declared due and payable,

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

SECOND - To the payment of the unpaid principal or Redemption Price of any of the Bonds which shall have become due (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), in order of their due dates, with interest on such Bonds, at the rate or rates expressed thereon, from the respective dates upon which such Bonds became due and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal and interest due on such date, to the Persons entitled thereto without any discrimination or preference.

THIRD - To the payment of the principal or Redemption Price of and interest on the Bonds as the same become due and payable.

(ii) If the principal of all the Bonds shall have become due by declaration or otherwise, to the payment of the principal and interest (at the rate or rates expressed thereon) then due and unpaid upon all of the Bonds, without preference or priority of principal over interest or of interest over principal or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably according to the amounts due respectively for principal and interest, to the Persons entitled thereto without discrimination or preference.

(iii) If the principal of all the Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of the Indenture then, subject to the provisions of the Indenture, in the event that the principal of all the Bonds shall later become due by declaration or otherwise, the moneys shall be applied in accordance with the provisions of the Indenture. (Section 8.05)



### **Individual Holder Action Restricted**

No Holder of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Indenture or for the execution of any trust under the Indenture or for any remedy under the Indenture unless:

- (i) an Event of Default has occurred of which the Trustee has been notified as provided in the Indenture or of which under the Indenture the Trustee is deemed to have notice, and
- (ii) the Holders of at least fifty-one percent (51%) in aggregate principal amount of Bonds Outstanding shall have made written request to the Trustee to proceed to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name, and
- (iii) such Holders shall have offered the Trustee indemnity as provided in the Indenture, and
- (iv) the Trustee shall have failed or refused to exercise the powers granted under the Indenture or to institute such action, suit or proceedings in its own name for a period of sixty (60) days after receipt by it of such request and offer of indemnity.

No one or more Holders of Bonds shall have any right in any manner whatsoever to affect, disturb or prejudice the security of the Indenture or to enforce any right thereunder except in the manner provided in the Indenture and for the equal benefit of the Holders of all Bonds Outstanding. (Section 8.09)

### **Supplemental Indentures Not Requiring Consent of Holders**

Without the consent of or notice to any of the Holders, the Issuer and the Trustee may enter into one or more Supplemental Indentures, not inconsistent with the terms and provisions of the Indenture, for any one or more of the following purposes:

- (a) In connection with the issuance of Additional Bonds, to set forth such matters as are specifically required or permitted under the Indenture;
- (b) To cure any ambiguity or formal defect or omission in the Indenture;
- (c) To grant to or confer upon the Trustee for the benefit of the Holders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Holders or the Trustee;
- (d) To add to the covenants and agreements of the Issuer in the Indenture, other covenants and agreements to be observed by the Issuer;
- (e) To more precisely identify the Trust Estate;
- (f) To subject to the Lien of the Indenture additional revenue, receipts, Property or collateral;
- (g) To evidence the appointment of a successor Trustee;
- (h) To preserve the tax-exempt status of the Bonds;

(i) In connection with the issuance by the Issuer of Parity Obligations (as defined in the Pledge and Security Agreement) in accordance with the Pledge and Security Agreement; or

(j) To effect any other change in the Indenture which, in the judgment of the Trustee based on an opinion of Independent Counsel, is not to the prejudice of the Trustee or the Holders. (Section 10.01)

### **Supplemental Indentures Requiring Consent of Holders**

Except as provided in the Indenture, the Holders of not less than fifty-one percent (51%) in aggregate principal amount of the Outstanding Bonds shall have the right, from time to time, to consent to and approve the execution by the Issuer and the Trustee of such Supplemental Indentures as shall be deemed necessary and desirable by the Issuer for the purpose of modifying, altering, amending, adding to or rescinding any of the terms or provisions contained in the Indenture or in any Supplemental Indenture or in the Bonds; provided, however, that nothing contained in the Indenture shall permit: (i) a change in the terms of redemption or maturity of the principal or the time of payment of interest on any Outstanding Bond or a reduction in the principal amount of or premium, if any, on any Outstanding Bond or the rate of interest thereon, without the consent of the Holder of such Bond; or (ii) the creation of a Lien upon the Trust Estate ranking prior to or on a parity with the Lien created by the Indenture, without the consent of the Holders of all Outstanding Bonds; or (iii) the creation of a preference or priority of any Bond or Bonds over any other Bond or Bonds, without the consent of the Holders of all Outstanding Bonds; or (iv) a reduction in the aggregate principal amount of the Bonds required for consent to such Supplemental Indenture, without the consent of the Holders of all Outstanding Bonds.

If at any time the Issuer shall request the Trustee to enter into a Supplemental Indenture for any of the purposes as provided in the Indenture, the Trustee, upon being satisfactorily indemnified with respect to expenses, shall cause notice to be sent as provided in the Indenture; provided, however, that the failure to give such notice or any defect therein shall not affect the validity of any proceeding taken pursuant to the Indenture.

If the Holders of not less than fifty-one percent (51%) in aggregate principal amount of the Bonds Outstanding at the time of the execution of any such Supplemental Indenture shall have consented to and approved the execution thereof as provided in the Indenture, no Holder of any Bond shall have any right to object to any of the terms and provisions contained therein or in any manner to question the propriety of the execution thereof or enjoin or restrain the Trustee or the Issuer from executing the same or from taking any action pursuant to the provisions thereof. (Section 10.02)

### **Amendments to Loan Agreement**

Without the consent of or notice to the Holders, the Issuer and the College may enter into, and the Trustee may consent to, any amendment, change or modification of the Loan Agreement as may be required (i) by the provisions thereof or of the Indenture, (ii) for the purpose of curing any ambiguity or formal defect or omission therein, (iii) for the purpose of issuing Additional Bonds under the Indenture, (iv) in connection with the description of the Facility, (v) in order to preserve the tax-exempt status of the Bonds, (vi) in connection with the issuance of Parity Obligations (as defined in the Pledge and Security Agreement) in accordance with the Pledge and Security Agreement or (vii) in connection with any other change therein, which, in the sole judgment of the Trustee based on an opinion of Independent Counsel, does not adversely affect the interests of the Trustee or the Holders. Except for amendments, changes or modifications as provided in the Indenture, neither the Issuer nor the Trustee shall consent to any amendment, change or modification of the Loan Agreement without notice thereof being given to the Holders in the manner provided in the Indenture and the written approval or consent of the Holders of not

less than fifty-one percent (51%) in aggregate principal amount of the Outstanding Bonds procured and given in the manner set forth in the Indenture; provided, however, that no such amendment shall be permitted which changes the terms of payment under the Indenture without the consent of the Holders of all Outstanding Bonds. (Section 11.01)

#### **Amendments to Pledge and Security Agreement**

Without the consent of or notice to the Holders, the Issuer and the College may enter into, and the Trustee may consent to, any amendment, change or modification of the Pledge and Security Agreement as may be required (i) by the provisions thereof or of the Indenture, (ii) for the purpose of curing any ambiguity or formal defect or omission therein, (iii) for the purpose of issuing Additional Bonds under the Indenture, (iv) in connection with the description of the Facility, (v) in order to preserve the tax-exempt status of the Bonds, (vi) in connection with the issuance of Parity Obligations (as defined in the Pledge and Security Agreement) in accordance with the Pledge and Security Agreement or (vii) in connection with any other change therein, which, in the sole judgment of the Trustee based on an opinion of Independent Counsel, does not adversely affect the interests of the Trustee or the Holders. Except for amendments, changes or modifications as provided in the Indenture, neither the Issuer nor the Trustee shall consent to any amendment, change or modification of the Pledge and Security Agreement without notice thereof being given to the Holders in the manner provided in the Indenture and the written approval or consent of the Holders of not less than fifty-one percent (51%) in aggregate principal amount of the Outstanding Bonds procured and given in the manner set forth in the Indenture; provided, however, that no such amendment shall be permitted which changes the terms of payment thereunder without the consent of the Holders of all Outstanding Bonds. (Section 11.02)

#### **Amendments to Tax Compliance Agreement**

Without the consent of or notice to the Holders of the Bonds, the Issuer and the College may enter into, and the Trustee may consent to, any amendment, change or modification of the Tax Compliance Agreement as may be required (i) by the provisions thereof or of the Indenture, (ii) for the purpose of curing any ambiguity or formal defect or omission therein, (iii) for the purpose of issuing Additional Bonds under the Indenture, (iv) in connection with the description of the Facility, (v) in order to preserve the tax-exempt status of the Bonds, or (vi) in connection with any other change therein, which, in the sole judgment of the Trustee based on an opinion of Independent Counsel, does not adversely affect the interests of the Trustee or the Holders of the Bonds. Except for amendments, changes or modifications as provided in the Indenture, neither the Issuer nor the Trustee shall consent to any amendment, change or modification of the Tax Compliance Agreement without notice thereof being given to the Holders of the Bonds in the manner provided in the Indenture and the written approval or consent of the Holders of the Bonds of not less than fifty-one percent (51%) in aggregate principal amount of the Outstanding Bonds procured and given in the manner set forth in the Indenture; provided, however, that no such amendment shall be permitted which changes the terms of payment thereunder without the consent of the Holders of all Outstanding Bonds. (Section 11.03)

[END OF APPENDIX D]

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**APPENDIX E**

**SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT  
AND  
PLEDGE AND ASSIGNMENT**

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## APPENDIX E

### SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT AND PLEDGE AND ASSIGNMENT

#### SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

*The following description of certain provisions of the Loan Agreement is only a brief outline of some of the provisions thereof, and does not purport to summarize or describe all of the provisions thereof. Reference is made to the Loan Agreement for details of the provisions thereof.*

All terms not otherwise defined below shall have the meaning given to such terms in Appendix C attached to the Official Statement.

#### **Completion by College**

The College unconditionally covenants and agrees under the Loan Agreement that it will complete the Project, or cause the Project to be completed, by the applicable Completion Date, and that such completion will be effected in a workmanlike manner, using high-grade materials, free of defects in materials or workmanship (including latent defects), as applicable, and in accordance with the Loan Agreement and the Indenture. In the event that moneys in the Project Fund are not sufficient to pay the costs necessary to complete the Project in full, the College shall pay that portion of such costs of the Project as may be in excess of the moneys therefor in said Project Fund and shall not be entitled to any reimbursement therefor from the Issuer, the Trustee or the Holders of any of the Bonds (except from the proceeds of Additional Bonds which may be issued for that purpose), nor shall the College be entitled to any diminution of the debt service payments payable or other payments to be made under the Loan Agreement. (Section 2.2)

#### **Issuance of Series 2017 Bonds**

On the Closing Date, the Trustee shall deposit the proceeds of the Series 2017 Bonds in the applicable account of the Project Fund (i) upon receipt of the Series 2017 Bonds and (ii) subject to the terms and conditions of the Indenture. Additional Bonds may be issued and purchased from time to time, as set forth in the Indenture on a pari passu basis with the Series 2017 Bonds. Each series of Additional Bonds shall be issued only for the purpose provided in the Supplemental Indenture executed in connection therewith.

The Issuer agrees to loan the proceeds of the Series 2017 Bonds to the College and the College agrees to pay to the Trustee the principal of and interest on the Series 2017 Bonds and all other amounts due under the Loan Agreement in accordance with the terms of the Loan Agreement, the Indenture and the Series 2017 Bonds. (Section 3.1)

#### **Payment Provisions; Pledge of Loan Agreement**

The College covenants to make debt service payments for and in respect of the Series 2017 Bonds pursuant to the Loan Agreement, which the Issuer agrees shall be paid by the College directly to the Trustee on or prior to each Bond Payment Date for deposit in the Bond Fund in an amount equal to the sum of (i) with respect to interest due and payable on the Series 2017 Bonds, an amount equal to the interest next becoming due and payable on the Series 2017 Bonds on the immediately succeeding Interest Payment Date (less any amount available in the Project Fund for transfer to the Bond Fund), (ii) the

principal amount of the Bonds then Outstanding which will become due on the immediately succeeding Interest Payment Date (whether at maturity or by redemption or acceleration as provided in the Indenture), and (iii) the principal of and redemption premium, if any, including sinking fund installments, on the Bonds to be redeemed which will become due on the immediately succeeding redemption date together with accrued interest to the date of redemption.

In addition, the College shall pay, as an additional payment, within fifteen (15) days after receipt of an invoice setting forth the nature and payee of each such expense and demand for payment therefor, the expenses payable by the Issuer to the Trustee pursuant to and under the Indenture. (Section 3.2)

### **Obligation of College Unconditional**

The obligations of the College to pay debt service payments and all other payments provided for in the Loan Agreement and to maintain the Facility in accordance with the Loan Agreement constitute a general obligation of the College and shall be absolute and unconditional, irrespective of any defense or any rights of set-off, recoupment or counterclaim or deduction and without any rights of suspension, deferment, diminution or reduction it might otherwise have against the Issuer, the Trustee or the Holder of any Series 2017 Bond and the obligation of the College shall arise whether or not the Project has been completed as provided in the Loan Agreement. (Section 3.3)

### **Maintenance, Alterations and Improvements**

During the term of the Loan Agreement, the College will keep the Facility in good and safe operating order and condition, ordinary wear and tear excepted, will occupy, use and operate the Facility in the manner for which it was designed and intended and contemplated by the Loan Agreement, and will make all replacements, renewals and repairs thereto (whether ordinary or extraordinary, structural or nonstructural, foreseen or unforeseen).

The College shall not create, permit or suffer to exist any mortgage, encumbrance, lien, security interest, claim or charge against the Facility or any part thereof, or the interest of the College in the Facility, or the Loan Agreement except for Permitted Encumbrances. (Section 4.1)

### **Taxes, Assessments and Charges**

The College shall pay, when the same shall become due, all taxes and assessments, general and specific, if any, levied and assessed upon or against the Facility, any estate or interest of the College in the Facility, or the payments under the Loan Agreement during the term of the Loan Agreement and all water and sewer charges, special district charges, assessments and other governmental charges and impositions whatsoever, foreseen or unforeseen, ordinary or extraordinary, under any present or future law, and charges for public or private utilities or other charges incurred in the occupancy, use, operation, maintenance or upkeep of the Facility. (Section 4.3)

### **Insurance**

At all times throughout the term of the Loan Agreement including, without limitation, during any period of construction or renovation of the Facility, the College, in accordance with the Loan Agreement, shall maintain insurance with insurance companies licensed and/or authorized to do business in the State (or authorized in the State under the Federal Liability Risk Retention Act), against such risks, loss, damage and liability (including liability to third parties) and for such amounts as are customarily insured against by other enterprises of like size and type as that of the College. (Section 4.4)



## **Damage, Destruction and Condemnation**

In the event that at any time during the term of the Loan Agreement, the whole or part of the Facility shall be damaged or destroyed, or the whole or any part of the Facility shall be taken or condemned by a competent authority for any public use or purpose, or by agreement between the Issuer and those authorized to exercise such right, or if the temporary use of the Facility or any part thereof shall be so taken by condemnation or agreement (a "Loss Event"): (i) the Issuer shall have no obligation to rebuild, replace, repair or restore the Facility, (ii) there shall be no abatement, postponement or reduction in the debt service payments or other amounts payable by the College under the Loan Agreement, and (iii) the College will promptly give written notice of such Loss Event to the Issuer and the Trustee, generally describing the nature and extent thereof.

Upon the occurrence of a Loss Event, any Net Proceeds derived therefrom shall be paid to the College and the College shall either: (i) at its own cost and expense (except to the extent paid from the Net Proceeds deposited in the Renewal Fund as provided in the Loan Agreement and the Indenture), promptly and diligently rebuild, replace, repair or restore the Facility to substantially its condition immediately prior to the Loss Event, or to a condition of at least equivalent value, operating efficiency and function, regardless of whether or not the Net Proceeds derived from the Loss Event shall be sufficient to pay the cost thereof, and the College shall not, by reason of payment of any such excess costs, be entitled to any reimbursement from the Issuer, the Trustee or any Bondholder, nor shall the debt service payments or other amounts payable by the College under the Loan Agreement be abated, postponed or reduced, or (ii) if, to the extent and upon the conditions permitted to do so under the Loan Agreement and under the Indenture, exercise its option to make advance debt service payments to redeem the Series 2017 Bonds in whole; provided, however, that, any Net Proceeds derived from a Loss Event affecting the Facility shall be paid to the Trustee and deposited in the Renewal Fund and the College shall elect to comply with either clause (i) or clause (ii) above.

Notwithstanding the foregoing, if all or substantially all of the Facility shall be taken or condemned, or if the taking or condemnation renders the Facility unsuitable for use by the College as contemplated by the Loan Agreement, the College shall exercise its option to terminate the Loan Agreement pursuant to the Loan Agreement, and the amount of the Net Proceeds so recovered shall be transferred from the Renewal Fund and deposited in the Bond Fund, and the College shall thereupon pay to the Trustee for deposit in the Bond Fund an amount which, when added to any amounts then in the Bond Fund and available for that purpose, shall be sufficient to retire and redeem the Series 2017 Bonds in whole at the earliest possible date (including, without limitation, principal and interest to the maturity or redemption date and redemption premium, if any), and to pay the expenses of redemption, the fees and expenses of the Issuer, the Bond Registrar, the Trustee and the Paying Agent, together with all other amounts due under the Indenture and under the Loan Agreement, and such amount shall be applied, together with such other available moneys in such Bond Fund, if applicable, to such redemption or retirement of the Bonds on said redemption or maturity date.

The College shall be entitled to any insurance proceeds or condemnation award, compensation or damages attributable to improvements, machinery, equipment or other property installed on or about the Facility but which, at the time of such damage or taking, is not part of the Facility and is owned by the College. (Section 5.1)

## **Restrictions on College**

The College agrees that at all times during the term of the Loan Agreement it will (i) maintain its existence, (ii) continue to be a not-for-profit education corporation and a Tax-Exempt Organization subject to service of process in the State and either organized under the laws of the State, or organized

under the laws of any other state of the United States and duly qualified to do business in the State, (iii) not, unless otherwise permitted by the terms of the Loan Agreement, sell, transfer, pledge or otherwise encumber all or substantially all of the assets which constitute the Facility; and (iv) not, unless otherwise permitted by the terms of the Loan Agreement, liquidate, wind-up or dissolve or otherwise dispose of all or substantially all of its property, business or assets remaining after the execution and delivery of the Loan Agreement. (Section 6.1)

### **Indemnity**

The College shall at all times protect and hold the Issuer, the Trustee, the Bond Registrar and the Paying Agent, and any of their respective directors, members, officers, employees, servants or agents (excluding for this purpose the College, which is not obligated by the Loan Agreement to indemnify its own employees or affiliate individuals) or any of such Persons and persons under the control or supervision of any of such Persons (collectively, the "Indemnified Parties") harmless of, from and against any and all claims (whether in tort, contract or otherwise), taxes (of any kind and by whomsoever imposed), demands, penalties, fines, liabilities, lawsuits, actions, proceedings, settlements, costs and expenses (collectively, "Claims") of any kind for losses, damage, injury and liability (collectively, "Liability") of every kind and nature and however caused (except, with respect to any Indemnified Party, Liability arising from the gross negligence or willful misconduct of such Indemnified Party), arising during the period commencing from the date the Issuer adopted the inducement resolution for the Project, and continuing throughout the term of the Loan Agreement and for the relevant statute of limitations thereafter for any Claim arising during such term (subject to the Loan Agreement), upon or about the Facility or resulting from, arising out of, or in any way connected with the events described in the Loan Agreement. (Section 6.2)

### **Notice by the College**

The College shall promptly notify the Issuer and the Trustee of the occurrence of any Event of Default or any event which with notice and/or lapse of time would constitute an Event of Default under any Financing Document of which it has knowledge. Any notice required to be given pursuant to this subsection shall be signed by an Authorized Representative of the College and set forth a description of the default and the steps, if any, being taken to cure said default. If no steps have been taken, the College shall state this fact on the notice. (Section 6.6)

### **Expendable Resources Ratio**

(a) The College covenants to maintain during each Fiscal Year Unrestricted Net Assets plus Temporarily Restricted Net Assets less Net Investment in Plant at a level at least equal to one times (1.00x) its outstanding Indebtedness, commencing with the Fiscal Year ending on June 30, 2018 (hereinafter, the "Expendable Resources Ratio"). Notwithstanding the preceding sentence, the Expendable Resources Ratio requirement shall be deemed satisfied if on or prior to each Reporting Date commencing with the Fiscal Year ending on June 30, 2020, the College shall file with the Trustee a certificate of an Authorized Representative of the College stating whether at any of the two (2) out of the three (3) immediately preceding Testing Dates the Expendable Resources Ratio requirement was satisfied and setting forth the calculations upon which such statement is based.

(b) If the College fails to comply with the Expendable Resources Ratio requirement in any two (2) out of the three (3) immediately preceding Testing Dates, the College within ninety (90) days of the Reporting Date will prepare a preliminary report making recommendations with respect to its rates, operations, management and other matters as will enable the College to comply with such covenants within a reasonable period. Such report will be reviewed by the Board of Trustees within sixty (60) days

of receipt of such report and will issue a final report setting forth in reasonable detail the steps the College proposes to take in response to the preliminary report. The College shall deliver to the Issuer and the Trustee within forty-five (45) days of completion a copy of the final report.

(c) If the College fails to comply with the Expendable Resources Ratio requirement in any three (3) out of the four (4) immediately preceding Testing Dates, the College shall engage within sixty (60) days of the Reporting Date related to such failure, at the College's expense, a Management Consultant to review the rates, operations and management of the College and any other matter deemed appropriate and to make such recommendations with respect to such rates, operations, management and other matters as will enable the College to comply with such covenants within a reasonable period. The College shall immediately notify an Authorized Representative of the Issuer and the Trustee of such engagement.

(d) Whenever a Management Consultant is required to be engaged by the College pursuant to the Loan Agreement, copies of the report and recommendations of such Management Consultant shall be filed with the Issuer, the Trustee, the Board of Trustees of the College and an Authorized Representative of the College no later than one hundred twenty (120) days following the date of the engagement of such Management Consultant. The College shall, to the extent feasible and in its discretion, promptly upon its receipt of such recommendations, and subject to applicable requirements or restrictions imposed by law, regulation or College contractual agreements, revise its tuition, fees and charges, its methods of operation or collections or its debt and investment management and shall take such other action in response to such recommendations. The College shall deliver to the Issuer and the Trustee within forty-five (45) days of receipt of such Management Consultant's report:

(i) a report setting forth in reasonable detail the steps the College proposes to take in response to the recommendations of such Management Consultant; and

(ii) a certified copy of a resolution adopted by the Board of Trustees of the College accepting both the Management Consultant's report and the report prepared by the College as required in subsection (i) hereof; and

(iii) The College shall thereafter provide semiannual reports demonstrating the progress made by the College in response to the recommendations of the Management Consultant.

(e) If the College complies in all material respects with procedures set forth in subsections (b) through (d) above, the College will be deemed to have complied with the Expendable Resources ratio requirement.

(f) At such time as the College is back in actual compliance with the Expendable Resources Ratio requirement, the provisions requiring semiannual reports under subsection (d)(iii) above shall no longer apply. (Section 6.20)

### **Additional Indebtedness**

The College may issue, incur or assume Indebtedness, provided (1) such Indebtedness refunds or refinances all or a portion of any Indebtedness then outstanding or (2) the College provides to the Trustee a certificate of an Authorized Representative of the College evidencing the College's Unrestricted Net Assets plus Temporarily Restricted Net Assets less Net Investment in Plant, all as shown on the College's most recent audited financial statements, will be at a level at least equal to one times (1.00x) its outstanding Indebtedness and proposed Indebtedness. (Section 6.21)

## **Negative Pledge**

The College covenants under the Loan Agreement that it shall not create or suffer to be created or exist upon any portion of the Facility, any Lien, other than Permitted Encumbrances. (Section 6.23)

## **Events of Default**

Any one or more of the following events shall constitute an "Event of Default" under the Loan Agreement: (a) failure of the College to pay any debt service payment that has become due and payable by the terms of the Loan Agreement which results in a default in the due and punctual payment of the principal of, redemption premium, if any, or interest on any Bond; (b) failure of the College to pay any amount (except as set forth in the Loan Agreement) that has become due and payable or to observe and perform any covenant, condition or agreement on its part to be performed under the Loan Agreement, and continuance of such failure for a period of thirty (30) days after receipt by the College of written notice from the Issuer, the Trustee, or the Holders of more than twenty-five percent (25%) in aggregate principal amount of the Bonds Outstanding, specifying the nature of such default; (c) failure of the College to observe and perform any covenant, condition or agreement under the Loan Agreement on its part to be performed (except as set forth in the Loan Agreement) and (1) continuance of such failure for a period of thirty (30) days after receipt by the College of written notice specifying the nature of such default from the Issuer, the Trustee, or the Holders of more than twenty-five percent (25%) in aggregate principal amount of the Bonds Outstanding, or (2) if by reason of the nature of such default the same can be remedied, but not within the said thirty (30) days, and the College fails to proceed with reasonable diligence after receipt of said notice to cure the same or fails to continue, with reasonable diligence, its efforts to cure the same; (d) the College shall (i) apply for or consent to the appointment of or the taking of possession by a receiver, liquidator, custodian or trustee of itself or of all or a substantial part of its property, (ii) admit in writing its inability, or be generally unable, to pay its debts as such debts generally become due, (iii) make a general assignment for the benefit of its creditors, (iv) commence a voluntary case under the federal Bankruptcy Code (as now or in effect after the date of the Loan Agreement), (v) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up, or composition or adjustment of debts, (vi) take any action for the purpose of effecting any of the foregoing, or (vii) be adjudicated a bankrupt or insolvent by any court; (e) a proceeding or case shall be commenced, without the application or consent of the College, in any court of competent jurisdiction, seeking, (i) liquidation, reorganization, dissolution, winding-up or composition or adjustment of debts, (ii) the appointment of a trustee, receiver, liquidator, custodian or the like of the College or of all or any substantial part of its assets, (iii) similar relief under any law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts, and such proceeding or case shall continue undismissed, or an order, judgment or decree approving or ordering any of the foregoing against the College shall be entered and continue unstayed and in effect, for a period of ninety (90) days or (iv) the College shall fail to controvert in a timely or appropriate manner, or acquiesce in writing to, any petition filed against itself in an involuntary case under such Bankruptcy Code; the terms "dissolution" or "liquidation" of the College as used above shall not be construed to prohibit any action otherwise permitted by the Loan Agreement; (f) any representation or warranty made (i) by or on behalf of the College in the application and related materials submitted to the Issuer or the initial purchaser(s) of the Series 2017 Bonds for approval of the Project or its financing, or (ii) by the College in the Loan Agreement or in any of the other Financing Documents, or (iii) in the Bond Purchase Agreement, or (iv) in the Tax Compliance Agreement or (v) any report, certificate, financial statement or other instrument furnished pursuant to the Loan Agreement or any of the foregoing shall prove to be false, misleading or incorrect in any material respect as of the date made; (g) an "Event of Default" caused by the College under the Indenture or under any other Financing Document shall occur and be continuing; or (h) the failure of the College to observe, perform or maintain any of the covenants under Sections 6.20, 6.21 and 6.23 under the Loan Agreement. (Section 7.1)

## Remedies on Default

Whenever any Event of Default referred to in the Loan Agreement shall have occurred and be continuing, the Issuer, or the Trustee where so provided, may take any one or more of the following remedial steps:

(a) the Trustee, as and to the extent provided in the Indenture, may cause all principal installments of debt service payments payable under the Loan Agreement for the remainder of the term of the Loan Agreement to be immediately due and payable, whereupon the same, together with the accrued interest thereon, shall become immediately due and payable; *provided, however*, that, upon the occurrence of an Event of Default as provided in the Loan Agreement, all principal installments of debt service payments payable under the Loan Agreement for the remainder of the term of the Loan Agreement, together with the accrued interest thereon, shall immediately become due and payable without any declaration, notice or other action of the Issuer, the Trustee, the Holders of the Bonds or any other Person being a condition to such acceleration;

(b) the Issuer, with the prior written consent of the Trustee, or the Trustee may terminate the Loan Agreement. No such termination of the Loan Agreement shall relieve the College of its liability and obligations under the Loan Agreement and such liability and obligations shall survive any such termination;

(c) the Issuer or the Trustee may take whatever action at law or in equity as may appear necessary or desirable to collect the debt service payments then due and thereafter to become due, or to enforce performance or observance of any obligations, agreements or covenants of the College under the Loan Agreement;

(d) the Trustee may take any action permitted under the Indenture or the Pledge and Security Agreement with respect to an Event of Default thereunder; and

(e) the Issuer, without the consent of the Trustee or any Bondholder, may proceed to enforce its Reserved Rights by bringing an action for damages, injunction or specific performance and the College under the Loan Agreement appoints the Issuer its true and lawful agent and attorney-in-fact (which appointment shall be deemed to be an agency coupled with an interest) with full power of substitution to file on its behalf all affidavits, questionnaires and other documentation necessary to accomplish such conveyance.

In the event that the College fails to make any debt service or other payment required in the Loan Agreement, the amount so in default shall continue as an obligation of the College until the amount in default shall have been fully paid. (Section 7.2)

## Remedies Cumulative

The rights and remedies of the Issuer or the Trustee under the Loan Agreement shall be cumulative and shall not exclude any other rights and remedies of the Issuer or the Trustee allowed by law with respect to any default under the Loan Agreement. (Section 7.4)

## Options

The College has the option to make advance debt service payments for the deposit in the Bond Fund to effect the retirement of the Bonds in whole or the redemption in whole or in part of the Bonds, all in accordance with the terms of the Indenture; *provided, however*, that, no partial redemption of the

Bonds may be effected through advance debt service payments under the Loan Agreement if there shall exist and be continuing an Event of Default.

The College shall have the option to terminate the Loan Agreement on any date during the term of the Loan Agreement by causing the redemption, purchase or defeasance in whole of all Outstanding Bonds in accordance with the terms set forth in the Indenture. (Section 8.1)

### **Termination of Loan Agreement**

After full payment of the Bonds or provision for the payment in full thereof having been made in accordance with the Indenture and the payment of the fees and expenses of the Issuer, the Paying Agent, the Bond Registrar and the Trustee and all other amounts due and payable under the Loan Agreement or the Indenture, together with any amounts required to be rebated to the federal government pursuant to the Indenture or the Tax Compliance Agreement, the Loan Agreement shall terminate, subject, however, to the survival of the obligations of the College under the Loan Agreement. (Section 8.4)

### **Assignment**

The College may not at any time, except as otherwise permitted pursuant to the Loan Agreement, assign or transfer the Loan Agreement, without the prior written consent of the Issuer and the Trustee (which consents shall not be unreasonably withheld); provided, further, that, (1) the College shall nevertheless remain liable to the Issuer for the payment of all debt service payments and for the full performance of all of the terms, covenants and conditions of the Loan Agreement and of any other Financing Document to which it shall be a party, (2) any assignee or transferee of the College in whole of the Facility shall have assumed in writing and have agreed to keep and perform all of the terms of the Loan Agreement on the part of the College to be kept and performed, shall be jointly and severally liable with the College for the performance thereof, shall be subject to service of process in the State, and, if a corporation, shall be qualified to do business in the State, (3) in the Opinion of Counsel addressed to the Issuer and Trustee, such assignment or transfer shall not legally impair in any respect the obligations of the College for the payment of all debt service payments nor for the full performance of all of the terms, covenants and conditions of the Loan Agreement or of any other Financing Document to which the College shall be a party, nor impair or limit in any respect the obligations of any obligor under any other Financing Document, (4) any assignee or transferee shall be a Tax-Exempt Organization or, if not a Tax-Exempt Organization, upon receipt of an opinion of Bond Counsel addressed to the Issuer and the Trustee as to the non-includability in gross income of interest on the Bonds for purposes of federal income taxation, and shall utilize the Facility in compliance with the Act, (5) such assignment or transfer shall not violate any provision of the Loan Agreement, the Indenture or any other Financing Document, (6) such assignment or transfer shall in no way diminish or impair the College's obligation to carry the insurance required under the Loan Agreement and the College shall furnish written evidence satisfactory to the Issuer and the Trustee that such insurance coverage shall in no manner be limited by reason of such assignment or transfer, (7) each such assignment or transfer contains such other provisions as the Issuer or the Trustee may reasonably require, and (8) in the opinion of Bond Counsel, such assignment or transfer shall not cause the interest on the Bonds to be includable on gross income for federal income taxes. The College shall furnish or cause to be furnished to the Issuer and the Trustee a copy of any such assignment or transfer in substantially final form at least thirty (30) days prior to the date of execution thereof. (Section 9.3)

## **Amendments**

In accordance with the terms thereof, the Loan Agreement may be amended only with the concurring written consent of the Trustee given in accordance with the provisions of the Indenture. (Section 9.6)

## **Inspection of Facility**

The College will permit the Trustee, or its duly authorized agents, at all reasonable times during normal business hours upon written notice to enter upon the Facility and to examine and inspect the Facility and exercise their rights under the Loan Agreement, under the Indenture and under the other Financing Documents with respect to the Facility. (Section 9.10)

## **SUMMARY OF CERTAIN PROVISIONS OF THE PLEDGE AND ASSIGNMENT**

*The following description of the Pledge and Assignment is only a brief outline thereof, and does not purport to summarize or describe all of the provisions thereof. Reference is made to the Pledge and Assignment for details of the provisions thereof.*

All terms not otherwise defined below shall have the meaning given to such terms in Appendix C attached to the Official Statement.

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

[END OF APPENDIX E]

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**APPENDIX F**

**SUMMARY OF CERTAIN PROVISIONS OF THE PLEDGE AND SECURITY AGREEMENT**

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## APPENDIX F

### SUMMARY OF CERTAIN PROVISIONS OF THE PLEDGE AND SECURITY AGREEMENT

*The following description of certain provisions of the Pledge and Security Agreement is only a brief outline of some of the provisions thereof, and does not purport to summarize or describe all of the provisions thereof. Reference is made to the Pledge and Security Agreement for details of the provisions thereof.*

All terms not otherwise defined below or in the Pledge and Security Agreement shall have the meaning given to such terms in Appendix C attached to the Official Statement.

#### **Representations and Warranties of the College**

The Pledge and Security Agreement is effective to create, in favor of the Trustee, legal, valid and enforceable liens on and security interests in the Pledged Revenues and all necessary and appropriate filings having been duly effected in all appropriate public offices so that the liens and security interests created by the Pledge and Security Agreement will constitute perfected liens on and security interests in the Pledged Revenues on a pari passu basis with the Series 2008 Revenue Pledge, Series 2011 Revenue Pledge, the Series 2013 Revenue Pledge and Parity Obligations as provided in the Pledge and Security Agreement. (Section 2.1)

#### **Pledge of the Pledged Revenues; Use Prior To Event of Default**

As security for the obligations of the College under the Loan Agreement and for the College's obligation with respect to the Series 2017 Bonds issued under the Indenture, the College, pursuant to the Pledge and Security Agreement, pledges, assigns, hypothecates, transfers and delivers to the Trustee, and grants to the Trustee a security interest in, all right, title and interest, whether now owned or at any time acquired after the date of the Pledge and Security Agreement, of the College in and to the Pledged Revenues. So long as no Event of Default shall have occurred and be continuing, and except as otherwise provided in the Pledge and Security Agreement, nothing contained in the Pledge and Security Agreement shall be deemed to preclude the College from possessing, and consistent with its past practices, using and disposing of the Pledged Revenues in the ordinary course of its corporate purposes. (Section 3.1)

#### **Financing Statements**

The Trustee is authorized on behalf of the College and itself to complete one or more financing statements, including continuation statements with respect to any Pledged Revenues covered by the Pledge and Security Agreement and to file the same in any appropriate office or place to the extent permitted by law. The College agrees to deposit all of its Pledged Revenues, as and when received, into one or more deposit accounts and/or securities accounts with one or more banks or other financial institutions selected by the College (each, an "Account"). The College shall apply the monies comprising Pledged Revenues in the Accounts to the making of Debt Service Payments on the Series 2017 Bonds as they become due and payable, and may withdraw monies from the Accounts for any lawful purpose. The College shall provide to the Trustee a statement identifying the name and number of any fund or account established by the College with any banking, trust or other financial institution pursuant to the Pledge and Security Agreement. (Section 3.4)

## **No Set-Off By the College**

No set-off, counterclaim, reduction or diminution of an obligation, or any defense of any kind or nature (other than full performance by the College of the obligations under the Pledge and Security Agreement) which the College has or may have against the Trustee or any other Person, shall be available under the Pledge and Security Agreement to the College with respect to a claim under the Pledge and Security Agreement. The College acknowledges that no oral or other agreements, understandings, representations or warranties exist with respect to the Pledge and Security Agreement or with respect to the obligations of the College under the Pledge and Security Agreement, except as specifically set forth in the Pledge and Security Agreement. (Section 3.6)

## **Parity Obligations**

The College may issue, incur or assume Indebtedness secured by a Lien on Pledged Revenues, which in the event of any default and acceleration or claim on the Pledged Revenues is pari passu with the Lien on the Pledged Revenues granted by the Pledge and Security Agreement, the Series 2008 Revenue Pledge, Series 2011 Revenue Pledge and the Series 2013 Revenue Pledge, provided (1) such Indebtedness refunds or refinances all or a portion of any Indebtedness then outstanding or (2) the College provides to the Trustee a certificate of an Authorized Representative of the College evidencing the College's Unrestricted Net Assets plus Temporarily Restricted Net Assets less Net Investment in Plant, all as shown on the College's most recent audited financial statements, will be at a level at least equal to one times (1.00x) its outstanding Indebtedness and proposed Indebtedness. All Parity Obligations will also constitute additional Indebtedness under the Loan Agreement. (Section 3.8)

## **Events of Default Defined**

An "Event of Default" shall exist if any of the following occurs:

**COVENANTS FOR THE PAYMENT OF MONEY** - the College fails to perform or observe any covenant for the payment of money contained in the Pledge and Security Agreement within ten (10) days of demand, after written notice with respect thereto is given by the Trustee to the College;

**WARRANTIES OR REPRESENTATIONS** - any warranty, representation or other statement by or on behalf of the College contained in the Pledge and Security Agreement is false or misleading in any material respect when made;

**INVOLUNTARY BANKRUPTCY PROCEEDINGS** - a receiver, liquidator or trustee of the College or of any of its Property is appointed by court order, and such order remains in effect for more than sixty (60) days; or the College is adjudicated bankrupt or insolvent; or any of the Property of the College is sequestered by court order and such order remains in effect for more than sixty (60) days; or a petition is filed against the College under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or after the Pledge and Security Agreement is in effect, and is not dismissed within sixty (60) days after such filing;

**VOLUNTARY PETITIONS** - the College files a petition in voluntary bankruptcy or seeks relief under any provision of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or after the Pledge and Security Agreement is in effect, or consents to the filing of any petition against it under such law;

ASSIGNMENTS FOR BENEFIT OF CREDITORS - the College shall generally not pay its debts as such debts become due or admits in writing its inability to pay its debts generally as they become due, or consents to the appointment of a receiver, trustee or liquidator of all or any part of its Property; or

DEFAULTS UNDER FINANCING DOCUMENTS - the occurrence and continuation of an "Event of Default" under any of the other Financing Documents. (Section 4.1)

### **Remedies on Default**

If an Event of Default shall occur and be continuing, the Trustee, on behalf of the Bondholders, may exercise, in addition to all other rights and remedies granted to them in the Pledge and Security Agreement, and in any other instrument or agreement securing, evidencing or relating to the Series 2017 Bonds, all rights and remedies of a secured party under the Commercial Code. Without limiting the generality of the foregoing, the Trustee without demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except any notice required by law referred to in the Pledge and Security Agreement) to or upon the College or any other Person (all and each of which demands, defenses, advertisements and notices are waived under the Pledge and Security Agreement), may in such circumstances forthwith, collect, receive, appropriate and realize upon the Pledged Revenues, or any part thereof. The Trustee shall apply the net proceeds of any such collection, recovery, receipt, appropriation, realization or sale, after deducting all reasonable costs and expenses of every kind incurred therein or incidental to the care or safekeeping of any of the Pledged Revenues or in any way relating to the Pledged Revenues or the rights of the Trustee under the Pledge and Security Agreement, respectively, including, without limitation, reasonable attorneys' fees and disbursements, to the payment in whole or in part of amounts owed under the Series 2017 Bonds, in such order as the Trustee may elect, and only after such application and after the payment by the Trustee of any other amount required by any provision of law, including, without limitation, Section 9-615 the Commercial Code, need the Trustee account for the surplus, if any, to the College. To the maximum extent permitted by applicable law, the College waives all claims, damages and demands it may acquire against the Trustee arising out of the exercise of any rights under the Pledge and Security Agreement. If any notice of a proposed sale or other disposition of Pledged Revenues shall be required by law, such notice shall be deemed reasonable and proper if given at least 10 days before such sale or other disposition. The College shall remain liable for any deficiency if the proceeds of any sale of the Pledged Revenues are insufficient to pay amounts owed with respect to the Series 2017 Bonds and the reasonable fees and disbursements of any attorneys employed by the Trustee to collect such deficiency.

If an Event of Default shall have occurred and be continuing, the Trustee shall have the right (1) to notify or to require the College to notify Persons obligated on any instruments, accounts, or contracts which are part of the Pledged Revenues to make payment thereof directly to the Trustee, or as the Trustee shall direct, (2) to collect and enforce any such accounts and contracts, and (3) to compromise, settle or otherwise agree to waive, amend or modify the obligation of any account debtors or obligors under such accounts and contracts. Subject to the provisions of the Financing Documents, until such time as the Trustee elects to exercise such rights, the College, as the agent of the Trustee, shall collect and enforce all such contracts and accounts. The cost of such collection and enforcement, including attorneys' fees and expenses, shall be borne by the College, whether the same is incurred by the Trustee or the College.

If an Event of Default exists and continues, the Trustee may proceed to enforce the provisions of the Pledge and Security Agreement and to exercise any other rights, powers and remedies available to it. The Trustee, in its sole discretion, shall have the right to proceed first and directly against the College under the Pledge and Security Agreement without proceeding against or exhausting any other remedies which it may have and without resorting to any other security held by the Issuer or the Trustee.

Each and every Event of Default under the Pledge and Security Agreement shall give rise to a separate cause of action under the Pledge and Security Agreement, and separate suits may be brought under the Pledge and Security Agreement by the Trustee as each cause of action arises.

The Trustee may pursue its rights and remedies under the Pledge and Security Agreement notwithstanding (1) any guaranty of or other security for the Series 2017 Bonds, and (2) any action taken or omitted to be taken by the Trustee or any other Person to enforce any of the rights or remedies under such guaranty or with respect to any other security.

The foregoing rights and powers of the Trustee shall be in addition to, and not a limitation upon, any rights and powers of the Trustee given by law, by any other provisions of the Pledge and Security Agreement, by the other Financing Documents or otherwise. (Section 4.2)

### **Proceeds**

In accordance with the Pledge and Security Agreement, if an Event of Default shall occur and be continuing, (A) all Pledged Revenues received by the College consisting of cash, checks and other near-cash items shall be paid to the Trustee for application in accordance with the terms of the Financing Documents and otherwise shall be held by the College in trust for the Trustee, segregated from other funds of the College, and shall, forthwith upon receipt by the College, be turned over to the Trustee in the exact form received by the College (duly indorsed by the College to the Trustee, if required), and (B) any and all such Pledged Revenues received by the Trustee (whether from the College or otherwise) may, in the sole discretion of the Trustee, as applicable, be held by the Trustee for application against amounts owed to it and/or then or at any time thereafter may be applied by the Trustee against the Series 2017 Bonds (whether matured or unmatured), such application to be in such order as the Trustee shall elect. Any balance of such Pledged Revenues remaining after all amounts owed to the Trustee and on the Series 2017 Bonds shall have been paid in full and the Financing Documents shall have been terminated shall be paid over to the College or to whomsoever may be lawfully entitled to receive the same. (Section 4.3)

### **Appointment of Security Agent; Establishment of Revenue Fund**

As security for the prompt and complete payment of all amounts payable to the Trustee and payment when due (whether at the stated maturity, by acceleration or otherwise) of the Series 2017 Bonds, the College, pursuant to the Pledge and Security Agreement, agrees as follows:

The Trustee, pursuant to the Pledge and Security Agreement, is appointed by the College as security agent and the Trustee agrees to act as such and to accept all cash, other amounts, instruments, securities and investments to be delivered to or held by the Trustee pursuant to the terms of the Pledge and Security Agreement.

The following special, segregated and irrevocable cash collateral account is, pursuant to the Pledge and Security Agreement, established by the Trustee, which shall be maintained at all times until the termination of the Pledge and Security Agreement: the Revenue Fund. All moneys, investments and securities at any time on deposit in the Revenue Fund shall constitute trust funds to be held in the custody of the Trustee for the purposes and on the terms set forth in the Pledge and Security Agreement.

In order to secure the performance by the College of all of its covenants, agreements and obligations under the Financing Documents and the payment by the College of all amounts due on the Series 2017 Bonds, and in furtherance (and not in limitation) of the provisions of the Pledge and Security Agreement, the College, pursuant to the Pledge and Security Agreement, pledges and assigns to the Trustee, for the benefit of the Bondholders, and creates in favor of the Trustee, for the benefit of the

Bondholders, a security interest in and to, the Revenue Fund, all cash, cash equivalents, instruments, investments and other securities at any time on deposit in the Revenue Fund and all proceeds of any of the foregoing. All moneys, cash equivalents, instruments, investments and securities at any time on deposit in the Revenue Fund shall constitute collateral security for the payment by the College of all amounts due under the Series 2017 Bonds and the performance and observance by the College of all the covenants and conditions contained in the Financing Documents, and shall at all times be subject to the control of the Trustee and shall be held in the custody of the Trustee for the purposes of, and on the terms set forth in, the Pledge and Security Agreement. The College shall not have any right or power to distribute or to direct the Trustee to distribute any amounts in the Revenue Fund or any part thereof except in accordance with the provisions of the Pledge and Security Agreement.

Upon the occurrence and continuation of an Event of Default, the College shall deposit or cause all Pledged Revenues to be deposited in the Revenue Fund immediately upon receipt thereof. The money from time to time in the Revenue Fund shall be applied by the Trustee, for the purpose of making the deposits required to be made to the following Funds or accounts created under the Indenture in the following order of priority: (1) the Bond Fund; (2) such account as the College shall have established for the payment of principal or interest on Subordinated Indebtedness, if any; and (3) if, on the last Business Day of any April or October, or in the event that (a) the balance on deposit in the Bond Fund shall equal the amounts required to be paid by the College to the Trustee for deposit in the Bond Fund in respect of the principal of the Series 2017 Bonds (including mandatory redemptions or prepayments) and the interest thereon, including all payments due under the Loan Agreement for the next Bond Payment Date, and (b) the Trustee shall have received from the College sufficient moneys to permit the Trustee to make all other deposits to other funds or accounts established under the Indenture required by the Indenture to be made into such funds and accounts as of such Business Day, then the Trustee shall notify the College, and the College may withdraw free and clear of the Lien of the Pledge and Security Agreement all amounts then on deposit in the Revenue Fund that are in excess of the total of (x) the amount to be transferred from the Revenue Fund to the Bond Fund, and (y) any amounts required by the Indenture to be transferred to other funds or accounts established under the Indenture from the Revenue Fund during the current or the next ensuing calendar month.

Any deposit made into the Revenue Fund under the Pledge and Security Agreement shall be irrevocable and the amount of such deposit and any instrument or security held in the Revenue Fund under the Pledge and Security Agreement and all interest thereon shall be held in trust by the Trustee and applied solely as provided in the Pledge and Security Agreement.

Before an Event of Default, any cash held by the Trustee in the Revenue Fund shall be invested by the Trustee from time to time in Defeasance Obligations (as defined in the Indenture) as the College shall determine and specifically direct in writing. Any income or gain realized as a result of any such investment shall be held as part of the Revenue Fund and reinvested or released as provided in the Pledge and Security Agreement. Any income tax payable on account of any such income or gain shall be payable by the College as an expense of the Project. The Trustee shall have no liability for any loss, fee, tax or other charge resulting from any such investment, reinvestment or sale thereof other than by reason of their willful misconduct or gross negligence. Any such investment may be sold (without regard to maturity date) by the Trustee whenever necessary to make any withdrawal or distribution required by the Pledge and Security Agreement. The Trustee will promptly notify the College of any loss resulting from any such investment and the College shall thereupon reimburse the Revenue Fund.

Cash and Defeasance Obligations on deposit from time to time in the Revenue Fund shall be valued by the Trustee in the same manner as described in the Indenture. (Section 4.4)

## **Remedies Not Exclusive; Waiver and Notice**

No remedy conferred upon or reserved to the Trustee under the Pledge and Security Agreement is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Pledge and Security Agreement now or existing after the date of the Pledge and Security Agreement at law or in equity or by statute.

No delay or omission to exercise any right or power accruing upon the occurrence of any Event of Default under the Pledge and Security Agreement shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient.

In order to entitle the Trustee to exercise any remedy reserved to it in the Pledge and Security Agreement, it shall not be necessary to give any notice, other than such notice as may be expressly required in the Pledge and Security Agreement.

In the event any provision contained in the Pledge and Security Agreement shall be breached by any party and thereafter duly waived by the other party so empowered to act, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach under the Pledge and Security Agreement.

No waiver, amendment, change, alteration, release, discharge, modification or termination of the Pledge and Security Agreement shall be established by conduct, custom or course of dealing. (Section 4.5)

## **Amendments**

No waiver, amendment, change, modification, release, discharge, alteration or termination of the Pledge and Security Agreement shall be made except upon the written consent of the College and the Trustee. (Section 5.6)

## **Discharge of College's Obligations and Termination of The Pledge and Security Agreement**

When all amounts owed under the Series 2017 Bonds have been paid in full and the Series 2017 Bonds are no longer Outstanding, then, and only then, the Pledge and Security Agreement and the security interests created by the Pledge and Security Agreement shall be null and void and shall be released in due form, at the College's expense; otherwise, it shall remain in full force and effect. No release of the Pledge and Security Agreement, or of the Lien, security interest or assignment created and evidenced by the Pledge and Security Agreement, shall be valid unless executed by the Trustee. The Trustee, upon the College's request and at the College's expense, shall deliver to the College all documents evidencing such release. On the date of such discharge, the College shall be released from any and all conditions, terms, covenants or restrictions created or placed upon it by the Pledge and Security Agreement and the College shall not have any further obligation or liability under the Pledge and Security Agreement. (Section 5.11)

[END OF APPENDIX F]



**APPENDIX G**

**FORM OF APPROVING OPINION OF BOND COUNSEL**

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## APPENDIX G

### FORM OF APPROVING OPINION OF BOND COUNSEL

*Upon the delivery of the Series 2017 Bonds, Harris Beach PLLC, Bond Counsel to the Issuer, proposes to deliver its legal opinion in substantially the following form:*

\_\_\_\_\_, 2017

Monroe County Industrial Development Corporation  
8100 CityPlace  
50 West Main Street  
Rochester, New York 14614

**Re: \$31,645,000 Monroe County Industrial Development Corporation Tax-Exempt Revenue Bonds (Nazareth College of Rochester Project), Series 2017**

Ladies and Gentlemen:

We have examined the record of proceedings in connection with the issuance by the Monroe County Industrial Development Corporation (the "Issuer") of its \$31,645,000 Monroe County Industrial Development Corporation Tax-Exempt Revenue Bonds (Nazareth College of Rochester Project), Series 2017 (the "Series 2017 Bonds" or the "Bonds"). The Bonds are authorized to be issued pursuant to (a) Section 1411 of the Not-for-Profit Corporation Law of the State of New York, (b) Resolution No. 288 of 2009 of the Monroe County Legislature (the "County Resolution"), (c) a bond resolution (the "Bond Resolution") adopted by the members of the Issuer on December 5, 2017, for the purpose of providing funds to assist in the financing of the Project (as hereinafter defined) for the benefit of Nazareth College of Rochester (the "College"), a not-for-profit education corporation organized under the Laws of the State of New York, and (d) a certain Indenture of Trust, dated as of December 1, 2017 (the "Indenture"), by and between the Issuer and Manufacturers and Traders Trust Company, as trustee (the "Trustee").

The project being financed by the Bonds (collectively, the "Project") consists of: (A)(i) the construction and equipping on the College's main campus located at 4245 East Avenue in the Town of Pittsford, New York (the "Campus") of an approximately 24,125 square-foot one (1) story addition to the existing approximately 122,277 square-foot one (1) story Nazareth College Arts Center facility (the "Arts Center") to house the College's new musical training and performance center including a 550-seat performance venue, lobby and outdoor patio space, parking space to accommodate approximately 273 vehicles, together with ancillary and related facilities and improvements, and related pedestrian walkways, site improvements and landscaping improvements (collectively, the "Arts Center Addition Improvements"); (ii) the construction and equipping on the Campus of an approximately 118,000 square-foot one (1) story athletic facility to house the College's new athletic training center including classroom space, athletic offices, locker rooms, weight and training rooms, indoor track and artificial turf field, multi-purpose and convertible sport courts, indoor track events space, indoor 1,223-seating capacity and concession space, adjacent indoor and outdoor event space, parking space to accommodate approximately 264 vehicles, together with ancillary and related facilities and improvements, and related pedestrian walkways, site improvements and landscaping improvements (collectively, the "Athletic Training Center Improvements"); (iii) the replacement of the existing artificial turf at Golden Flyer Stadium located on the Campus (collectively, the "Stadium Field Renovation Improvements", and collectively with the Arts Center Addition Improvements and the Athletic Training Center Improvements, the "New Money Improvements"); (iv) the acquisition and installation in and around the Improvements of certain items of machinery, equipment, fixtures, furniture and other incidental tangible personal property (collectively, the

"New Money Equipment", together with the New Money Improvements, the "New Money Facility") and (v) the funding of capitalized interest related to the New Money Facility; (B) the refunding of a portion of the outstanding principal amount of the Issuer's \$23,765,000 original principal amount Tax-Exempt Revenue Bonds (Nazareth College of Rochester Project), Series 2011 (the "Series 2011 Bonds") issued for the benefit of the College, the proceeds of which were allocable to (i) the financing of the construction and equipping on the Campus of an approximately 74,000 square foot four (4) story building to house the College's math and science departments and the renovation and equipping of the approximately 6,234 square feet of space then used as science labs within the Smyth Hall building located on the Campus for reuse as office space and/or other instructional purposes (collectively, the "Series 2011 Facility"; and collectively with the New Money Facility, the "Facility"); (ii) the funding of a debt service reserve fund and capitalized interest and allocable to the financing of the Series 2011 Facility and (iii) the payment of certain costs and expenses incidental to the issuance of the Series 2011 Bonds and allocable to the financing of the Series 2011 Facility; and (C) paying certain costs and expenses incidental to the issuance of the Bonds (the costs associated with items (A) through (C) above being hereinafter collectively referred to as the "Project Costs").

All capitalized terms, not otherwise defined herein, shall have the meaning given such terms in the Indenture.

The Bonds are being purchased by Merrill Lynch, Pierce, Fenner & Smith Incorporated (the "Underwriter"), pursuant to a certain Bond Purchase Agreement, dated December 12, 2017, by and among the Issuer, the Representative, and the College (the "Bond Purchase Agreement").

Under the terms of a certain Loan Agreement, dated as of December 1, 2017 (the "Loan Agreement"), between the Issuer and the College, the Issuer has loaned the proceeds of the Bonds to the College to finance a portion of the costs of the Project with the loan payments thereunder to be in an amount sufficient to pay the principal of, premium, if any, and interest on the Bonds as the same become due and payable and to make certain other payments with respect to the Bonds as described therein.

As security for the Bonds, the Issuer assigned to the Trustee all of its rights (except Reserved Rights, as defined in the Indenture) under the Loan Agreement, pursuant to the terms of a certain Pledge and Assignment, dated as of December 1, 2017, from the Issuer to the Trustee (the "Pledge and Assignment").

As additional security for the Bonds, the College has granted to the Trustee a security interest in and lien on the Pledged Revenues (as defined in the hereinafter defined Pledge and Security Agreement) pursuant to a certain Pledge and Security Agreement, dated as of December 1, 2017, by and between the College and the Trustee (the "Pledge and Security Agreement"), such pledge of Pledged Revenues to be on a parity basis with the Series 2008 Revenue Pledge, the Series 2011 Revenue Pledge and the Series 2013 Revenue Pledge (each as defined in the Indenture).

The Issuer and the College have executed and delivered a certain Tax Compliance Agreement, dated the date hereof (the "Tax Compliance Agreement"), in which the Issuer and the College have made certain representations and covenants, established certain conditions and limitations and created certain expectations, relating to compliance with the requirements imposed by the Internal Revenue Code of 1986, as amended, and regulations of the United States Treasury Department promulgated thereunder (collectively, the "Code").

The Bonds are dated as of their date of issuance and bear interest from that date on the unpaid principal amount at the rates set forth in, and pursuant to the terms of, the Indenture and the Bonds. The Bonds are subject to prepayment or redemption prior to maturity, in whole or in part, at such time or

times, or under such circumstances and in such manner as are set forth in the Bonds and the Indenture, respectively.

As Bond Counsel, we have examined originals or copies, certified or otherwise identified to our satisfaction, of such instruments, certificates and documents as we have deemed necessary or appropriate for the purposes of rendering the opinions set forth herein. In such examination, we have assumed the genuineness of all signatures, the authenticity and due execution of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion, we have relied upon, and assumed the accuracy and truthfulness of, the aforesaid instruments, certificates and documents, without having conducted any independent investigation.

In rendering the opinions set forth below, we have relied upon the opinion of Harter Secrest & Emery LLP, counsel to the College, of even date herewith, as to the matters set forth in such opinion without making any independent investigation of the factual basis therefor or the legal conclusions set forth therein.

Based upon and in reliance upon the foregoing, it is our opinion that:

(a) The Issuer is a local development corporation created pursuant to the Not-For-Profit Corporation Law of the State of New York and is duly organized and validly existing under the laws of the State.

(b) The Issuer is duly authorized and entitled by law and the County Resolution to issue, execute, sell and deliver the Bonds for the purpose of financing the Project.

(c) The Bond Resolution has been duly and lawfully adopted by the Issuer, is in full force and effect, and is valid and legally binding upon the Issuer in accordance with its terms.

(d) The Bonds have been duly authorized, executed and delivered, have been duly issued for value by the Issuer and are valid and legally binding special obligations of the Issuer payable in accordance with their terms and are entitled to the benefit and security of the Indenture in accordance with its terms.

(e) The Bonds do not constitute a debt of Monroe County, New York or the State of New York, and neither Monroe County, New York nor the State of New York will be liable thereon.

(f) Under statutes, regulations, administrative rulings and court decisions existing as of the date hereof, interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code and is not an "item of tax preference" for purposes of computing the federal alternative minimum tax imposed on individuals and corporations. Interest on the Bonds is, however, included in the computation of "adjusted current earnings," a portion of which is taken into account in determining the federal alternative minimum tax imposed on certain corporations.

The difference between the principal amount of the Bonds maturing October 1 in the years 2028, 2029, 2030, 2033 and 2037 (collectively, the "Discount Bonds"), and the initial offering price to the public, at which price a substantial amount of such Discount Bonds of the same maturity is first sold, constitutes original issue discount, which is not included in gross income for federal income tax purposes to the same extent as interest on the Discount Bonds.

(g) Under existing law, for so long as interest on the Bonds is and remains excluded from gross income for federal income tax purposes, such interest is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof.

In rendering the opinions set forth in paragraph (f) and (g) above, we have relied upon, among other things, certain representations and covenants of (i) the Issuer in the Indenture, the Loan Agreement, the Tax Compliance Agreement and the General Certificate of the Issuer, dated the date hereof and (ii) the College in the Loan Agreement, the Tax Compliance Agreement and the General Certificate of the College, dated the date hereof. We call your attention to the fact that there are certain requirements contained in the Code with which the Issuer and the College must comply from and after the date of issuance of the Bonds in order for the interest thereon to be and remain excluded from gross income for federal income tax purposes, and consequently to remain exempt from personal income taxes imposed by the State of New York or any political subdivision thereof. The Issuer, the College or any other Person, by failing to comply with such requirements, may cause interest on the Bonds to become includable in gross income for federal income tax purposes and therefore subject to personal income taxes imposed by the State of New York and any political subdivision thereof, in each case retroactive to the date of issuance of the Bonds. We render no opinion as to any federal, state or local tax consequences with respect to the Bonds, or the interest thereon, if any change occurs or action is taken or omitted by the Issuer, the College or any other Person under the Indenture, the Loan Agreement or the Tax Compliance Agreement, or any other relevant documents without the advice or approval of, or upon the advice or approval of any Bond Counsel other than, Harris Beach PLLC.

Except for the opinions as set forth in paragraphs (f) and (g) above, we express no opinion regarding any federal, state or local income tax consequences arising with respect to the purchase or ownership of the Bonds.

The foregoing opinions are qualified to the extent that the enforceability of the Bond Resolution, the Bonds, any of the Financing Documents and any other document executed in connection therewith may be limited by any applicable bankruptcy, insolvency or other similar law or equitable principle now or hereafter enacted by the State of New York or the federal government or pronounced by a court having proper jurisdiction, affecting the enforcement of creditors' rights generally.

We express no opinion as to (i) the title to the Facility, (ii) the sufficiency of the description of the Facility in any document or (iii) the perfection or priority of any liens, charges or encumbrances, if any, on the Facility. Further, we have not been requested to examine and have not examined any documents or information relating to the Issuer or the College other than the record of proceedings hereinabove referred to, and no opinion is expressed as to any financial information, or the adequacy thereof, which has been or may be supplied to the Trustee, the Underwriter or any other Person.

This opinion is given as of the date hereof, and we disclaim any obligation to update this opinion letter for events occurring after the date of this opinion letter. We express no opinion herein except as to the laws of the State of New York and the federal laws of the United States.

Very truly yours,

[END OF APPENDIX G]

**APPENDIX H**

**FORM OF CONTINUING DISCLOSURE AGREEMENT**

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## CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is dated as of December 1, 2017 and is executed and delivered by Nazareth College of Rochester (the “Borrower”) and Digital Assurance Certification, L.L.C., as dissemination agent, in connection with the issuance by the Monroe County Industrial Development Corporation (the “Issuer”) of its \$31,645,000 Tax-Exempt Revenue Bonds (Nazareth College of Rochester Project), Series 2017 (the “Bonds”), under an Indenture of Trust dated as of December 1, 2017 (the “Indenture”) between the Issuer and Manufacturers and Traders Trust Company, as trustee (the “Trustee”). The proceeds of the Bonds are being loaned by the Issuer to the Borrower pursuant to a Loan Agreement dated as of December 1, 2017 between the Issuer and the Borrower (the “Loan Agreement”). For valuable consideration, the receipt of which is acknowledged, the Dissemination Agent and the Borrower covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Borrower and the Dissemination Agent for the benefit of the Bondholders (defined below) and the beneficial owners of the Bonds, and in order to assist the Underwriter (defined below) in complying with the Rule (defined below). The Borrower and the Dissemination Agent acknowledge that the Issuer has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Disclosure Agreement, and has no liability to any person, including any Holder of the Bonds, with respect to any such reports, notices or disclosures.

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture and in the Loan Agreement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section or in the first paragraph of this Disclosure Agreement, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Borrower pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Bondholder” or the term “Holder”, when used with reference to a Bond or Bonds, shall mean any person who shall be the registered owner of any Bond and any beneficial owner thereof.

“Dissemination Agent” shall mean the initial Dissemination Agent hereunder, which is Digital Assurance Certification, L.L.C., or any successor Dissemination Agent designated in writing by the Borrower and acceptable to the Issuer and which has filed with the Trustee a written acceptance of such designation.

“EMMA” shall mean the MSRB’s Electronic Municipal Market Access System.

“MSRB” shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Agreement.

“Notice Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act, as the same may be amended from time to time.

“SEC” shall mean the United States Securities and Exchange Commission.

“Securities Exchange Act” shall mean the Securities Exchange Act of 1934, as the same may be amended from time to time.

“Tax-Exempt” shall mean that interest on the Series 2017 Bonds is excluded from gross income for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax or environmental tax.

“Underwriter” shall mean Merrill Lynch, Pierce, Fenner & Smith Incorporated, the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

### SECTION 3. Provision of Annual Reports.

(a) The Borrower, commencing with the fiscal year ending June 30, 2018, shall, or shall cause the Dissemination Agent to, not later than 180 days after the end of each fiscal year, provide to the Trustee and MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Borrower may be submitted separately from the balance of the Annual Report.

The Borrower shall:

- (i) on or prior to November 25<sup>th</sup> of each year, provide the Annual Report to the Dissemination Agent together with either (A) a letter authorizing the Dissemination Agent to file the Annual Report with the MSRB, or (B) a certificate stating that the Borrower has provided the Annual Report to the MSRB and the date on which such Annual Report was provided, and
- (ii) promptly notify the Dissemination Agent of any change in the Borrower’s fiscal year.

(b) If by November 15<sup>th</sup> the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Borrower to request a report regarding compliance with the provisions governing the Annual Report.

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent shall send a reminder notice to the Borrower and the Issuer and shall send a notice to the MSRB in substantially the form attached as Exhibit A hereto.

(d) The Dissemination Agent shall file a report with the Borrower, the Issuer and the Trustee certifying that the Borrower has filed a report (directly or through the Dissemination Agent) purporting to be an Annual Report pursuant to this Disclosure Agreement, and stating the date it was provided (if such report was provided).

SECTION 4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following information relating to the Borrower for or as of the most recently completed fiscal year of the Borrower:

- (a) Audited financial statements;

(b) Operating information in the form included on pages A-11 through A-16 in Appendix A of the Official Statement under the caption “OPERATING INFORMATION – Undergraduate Applications and Admissions, - Transfer Applications and Admissions, - Graduate Applications and Admissions, - Student Enrollment, - Retention, - Graduation, - Tuition and Fees, and - Student Financial Aid,” with comparative information for the preceding fiscal year; and

(c) Financial information in the form included on page A-16 through A-21 in Appendix A of the Official Statement under the caption “FINANCIAL INFORMATION – Historical Operating Results, - Fundraising Efforts: Gifts and Grants, - Net Assets, - Endowment Assets and Other Investments, - Investment Policy and Allocation, and – Indebtedness of the College,” with comparative information for the preceding fiscal year, as applicable.

The Borrower agrees that the financial statements provided pursuant to Sections 3 and 4 of this Disclosure Agreement shall be prepared in conformity with generally accepted accounting principles (to the extent applicable), as in effect from time to time. Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the Borrower is an “obligated person” (as defined by the Rule), which have been filed with the MSRB or the SEC. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Borrower shall clearly identify each such other document so incorporated by reference.

#### SECTION 5. Reporting of Significant Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following Notice Events:

1. principal and interest payment delinquencies on the Bonds;
2. non-payment related defaults, if material;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. modifications to the rights of the Bondowners, if material;
8. Bond calls, if material, and tender offers;
9. defeasances;
10. release, substitution or sale of property securing repayment of the Bonds, if material;
11. rating changes;

12. bankruptcy, insolvency, receivership or similar event of the Borrower;

13. the consummation of a merger, consolidation, or acquisition involving the Borrower or the sale of all or substantially all of the assets of the Borrower, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

14. appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the Borrower obtains knowledge of the occurrence of a Notice Event, the Borrower shall provide, in a timely manner not in excess of nine (9) Business Days after the occurrence of such Notice Event, notice of such Notice Event to the Dissemination Agent. The Dissemination Agent shall provide notice of each such Notice Event to (i) the MSRB, (ii) the Trustee and (iii) the Issuer, in each case within one (1) Business Day after receipt by the Dissemination Agent.

#### SECTION 6. Termination of Reporting Obligation.

(a) The obligations of the Borrower and the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If the Borrower's obligations under the Loan Agreement are assumed in full by some other entity, such person shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were the Borrower. The original Borrower shall have no further responsibility hereunder only to the extent that the Borrower ceases to be an obligated person with respect to the Bonds within the meaning of the Rule.

(b) In addition, the Borrower's obligations under the provisions of this Disclosure Agreement shall terminate (in whole or in part, as the case may be) in the event that (i) the Borrower delivers to the Dissemination Agent, the Trustee, and the Issuer an opinion of nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Dissemination Agent, the Trustee and the Issuer, to the effect that those portions of the Rule which require the provisions of this Disclosure Agreement, or any of such provisions, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion (but such termination of the Borrower's obligations shall be effective only to the extent specifically addressed by such opinion), and (ii) the Dissemination Agent delivers copies of such opinion to (A) the MSRB, (B) the Issuer, (C) the Trustee, and (D) the Underwriter. The Dissemination Agent shall so deliver such opinion promptly.

#### SECTION 7. Dissemination Agent.

(a) The Borrower may, from time to time, appoint or engage a third-party Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such third party Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent.

(b) The Dissemination Agent, or any successor thereof, may at any time resign and be discharged of its duties and obligations hereunder by giving not less than thirty (30) days written notice to the Issuer, the Borrower and the registered owners of the Bonds, specifying the date when such resignation shall take effect. Such resignation shall take effect upon the date a successor shall have been appointed by the Borrower or by a court upon the application of the Dissemination Agent.

(c) In case the Dissemination Agent, or any successor thereof, shall resign or shall be removed or shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or if a receiver, liquidator or conservator of the Dissemination Agent or of its property shall be appointed, or if any public officer shall take charge or control of the Dissemination Agent, or of its property or affairs, the Borrower shall forthwith appoint a Dissemination Agent to act. The Borrower shall give or cause to be given written notice of any such appointment to the registered owners of the Bonds (as such term is defined in the Loan Agreement), the Trustee and the Issuer.

(d) Any company into which the Dissemination Agent may be merged or with which it may be consolidated or any company resulting from any merger or consolidation to which it shall be a party or any company to which such Dissemination Agent may sell or transfer all or substantially all of its corporate trust business, shall be the successor to such Dissemination Agent, without any further act or deed.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Borrower and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment not modifying or otherwise affecting its duties, obligations or liabilities in such a way as they are expanded or increased) and any provision of this Disclosure Agreement may be waived, if all of the following conditions are satisfied: (a) such amendment is made in connection with a change in circumstances that arises, from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Borrower or the type of business conducted thereby, (b) this Disclosure Agreement as so amended would have complied with the requirements of the Rule as of the date of this Disclosure Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (c) the Borrower shall have delivered an opinion of counsel, addressed to the Issuer, the Borrower, the Dissemination Agent and the Trustee, to the same effect as set forth in clause (b) above, (d) either (i) the Borrower shall have delivered to the Issuer, the Trustee and the Dissemination Agent an opinion of counsel, or a determination by a person, in each case unaffiliated with the Borrower (such as bond counsel) and acceptable to the Borrower, to the effect that the amendment does not materially impair the interests of the Holders of the Bonds or (ii) the Holders of the Bonds consent to the amendment to this Disclosure Agreement pursuant to the same procedures as are required for amendments to the Indenture with consent of the Holders of the Bonds pursuant to the Indenture as in effect on the date of this Disclosure Agreement, and (e) the Borrower shall have delivered copies of such opinion(s) and amendment to the MSRB. The Dissemination Agent may rely and act upon such opinions.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Borrower from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of the occurrence of a Notice Event, in addition to that which is required by this Disclosure Agreement. If the Borrower chooses to include any information in any Annual Report or notice of the occurrence of a Notice Event, in addition to that which is specifically required by this Disclosure Agreement, the Borrower shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of the occurrence of a Notice Event.

SECTION 10. Default. In the event of a failure of the Borrower or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Dissemination Agent may (and, at the request of any of the Holders of at least 25% of the aggregate principal amount of Outstanding Bonds who have provided security and indemnity deemed acceptable to the Dissemination Agent, shall), or any party who can establish beneficial ownership of any of the Bonds may, or any Bondholder may, after providing fifteen (15) days written notice to the Borrower to give the Borrower opportunity to comply

within such fifteen-day period, take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Borrower to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture or under the Loan Agreement, and the sole remedy available to the Dissemination Agent, any beneficial owners of the Bonds or the Bondholders under this Disclosure Agreement in the event of any failure of the Borrower or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

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

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. To the extent that the Dissemination Agent is required under the terms of this Disclosure Agreement to report any information, it is only required to report information that it receives from the Borrower in the form in which it is received, and the Dissemination Agent shall be under no responsibility or duty with respect to the accuracy and content of the information which it receives from the Borrower. The Borrower agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including reasonable attorneys' fees and expenses) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Borrower under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) Unless otherwise provided by contract with the Dissemination Agent, the Borrower shall pay or cause to be paid to the Dissemination Agent after reasonable notice to the Borrower in light of the reimbursement sought to be received, reasonable reimbursement for its reasonable expenses, charges, counsel fees and expenses, and disbursements and those of its attorneys, agents, and employees, incurred in and about the performance of its powers and duties hereunder. The Borrower shall indemnify and save the Dissemination Agent harmless against any expenses and liabilities which it may incur in the exercise and performance of its powers and duties hereunder which are not due to its negligence or willful default. None of the provisions contained in this Disclosure Agreement shall require the Dissemination Agent to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers. The obligations of the Borrower under this Section to compensate the Dissemination Agent, to pay or reimburse the Dissemination Agent for expenses, disbursements, charges and counsel fees and to indemnify and hold harmless the Dissemination Agent shall survive the termination of this Disclosure Agreement.

(c) The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any information, disclosures or notices provided to it by the Borrower and shall not be deemed to be acting in any fiduciary capacity for the Borrower, the Holders of the Bonds or any other party.

SECTION 12. Transmission of Notices, Documents and Information. (a) Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB pursuant to this Disclosure Agreement shall be provided to EMMA, the current internet web address of which is [www.emma.msrb.org](http://www.emma.msrb.org).

(b) All notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Borrower, the Trustee, the Dissemination Agent, the Underwriter, parties who can establish beneficial ownership of the Bonds and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Disclaimer. No Annual Report or notice of a Notice Event filed by or on behalf of the Borrower under this Disclosure Agreement shall obligate the Borrower to file any information regarding matters other than those specifically described in Section 3 and Section 5 hereof, nor shall any such filing constitute a representation by the Borrower or raise any inference that no other material events have occurred with respect to the Borrower or the Bonds or that all material information regarding the Borrower or the Bonds has been disclosed. The Borrower shall have no obligation under this Disclosure Agreement to update information provided pursuant to this Disclosure Agreement except as specifically stated herein.

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 16. Notices. The parties hereto may be given notices required hereunder at the addresses set forth for them in the Loan Agreement or the Indenture.

SECTION 17. Applicable Law. This Disclosure Agreement shall be governed by the laws of the State of New York, and by applicable federal laws.

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Dated as of December 1, 2017

NAZARETH COLLEGE OF ROCHESTER

By: \_\_\_\_\_  
Patrick E. Richey  
Vice President for Finance and Administration

DIGITAL ASSURANCE CERTIFICATION, L.L.C.

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

Consent and Acknowledgment  
With respect to Section 7(a)

MANUFACTURERS AND TRADERS  
TRUST COMPANY

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



NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

MONROE COUNTY INDUSTRIAL DEVELOPMENT CORPORATION  
TAX-EXEMPT REVENUE BONDS  
(NAZARETH COLLEGE OF ROCHESTER PROJECT), SERIES 2017

<u>Maturity</u>	<u>CUSIP</u>
October 1, 2018	61075TTC2
October 1, 2019	61075TTD0
October 1, 2020	61075TTE8
October 1, 2021	61075TTF5
October 1, 2022	61075TTG3
October 1, 2023	61075TTH1
October 1, 2024	61075TTJ7
October 1, 2025	61075TTK4
October 1, 2026	61075TTL2
October 1, 2027	61075TTM0
October 1, 2028	61075TTN8
October 1, 2029	61075TTP3
October 1, 2030	61075TTQ1
October 1, 2031	61075TTR9
October 1, 2032	61075TTS7
October 1, 2033	61075TTT5
October 1, 2034	61075TTU2
October 1, 2037	61075TTV0
October 1, 2047	61075TTW8

NOTICE IS HEREBY GIVEN that the Borrower has not yet provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement by and between Nazareth College of Rochester (the “Borrower”) and Digital Assurance Certification, L.L.C. (the “Dissemination Agent”) dated as of October 1, 2017. [The [Borrower/Dissemination Agent] has informed the Trustee that the Annual Report will be filed with MSRB by \_\_\_\_\_.]

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

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

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

cc: Nazareth College of Rochester

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