

June 2, 2014

The City University of New York  
230 West 41<sup>st</sup> Street  
New York, New York 10036

Attention: Mr. Matthew Sapienza, *Vice Chancellor for Budget, Finance and Fiscal Policy*

**PRIVATE**

This letter (the Engagement Letter) confirms our understanding of our engagement to provide professional services to The City University of New York (the University).

**Objectives and Limitations of Services**

*Offering Documents*

We will provide professional services to the University in connection with the Official Statement of the approximately \$68,175,000 Build NYC Resource Corporation Revenue Bonds, Series 2014 (Queens College Project), (the Official Statement) proposed to be filed by Q Student Residences, LLC and which are exempt under the Securities Act of 1933. These are summarized below.

The Preliminary Official Statement and Official Statement will include our report upon our audit of the University's financial statements as of and for the year ended June 30, 2013, and have issued our report thereon dated December 16, 2013.

Prior to our consenting to the inclusion of our report on such financial statements in the Preliminary Official Statement or Official Statement, we will perform procedures as required by the standards of the American Institute of Certified Public Accountants, including, but not limited to the following:

- Reading the information in the Preliminary Official Statement and Official Statement and consider whether such information, or the manner of its presentation, is materially inconsistent with information, or the manner of its presentation, appearing in the financial statements. However, we will not perform procedures to corroborate such other information (including forward-looking statements).
- Read the minutes of the meetings of the Board of Trustees; as to meetings for which minutes are not available, inquire about matters dealt with at such meetings.
- Inquire of the University's in-house legal counsel concerning litigation, claims, and assessments.
- Make specific inquiries of management about the representations embodied in the financial statements and the effectiveness of internal control, and obtain a representation letter from

management as of the date of the Preliminary Official Statement and Official Statement about these matters.

Prior to the issuance of any consent letter in connection with the offering document, management of the University agrees to supply us with a representation letter that will, among other things, confirm that no events have occurred that would require adjustments to (or additional disclosures in) the audited financial statements included in the offering document, and confirm the University's responses to certain inquiries made in connection with our issuance of the comfort letter.

*Agreed-Upon Procedures*

Additionally, in order to assist the University and Morgan Stanley, in connection with the proposed Official Statement, we will apply the following agreed-upon procedures to the Preliminary Official Statement and Official Statement as well as other financial and non-financial records provided by the University. At the request of the University and Morgan Stanley, we will make inquiries of certain officials of the University who have responsibility for the financial and accounting matters regarding whether:

- There was any increase in short-term borrowings or in long-term debt as compared with the amount shown in the June 30, 2013 audited statement of net assets included in Appendix B to the Official Statement.
- There was any decrease in net assets as compared with the amount shown in the University's June 30, 2013 financial statements included in Appendix B to the Official Statement,
- There was any decrease in revenues from tuition and fees or in total operating revenues, as compared with the amounts shown in the June 30, 2013 financial statements included in Appendix B to the Official Statement,
- There was any decrease in investments as compared with the amount shown in the June 30, 2013 audited statement of net assets included in Appendix B to the Official Statement.

At the request of the University and Morgan Stanley, we will perform additional procedures with respect to certain items appearing in the Official Statement. Our procedures will be as follows on those amounts included in the Preliminary Official Statement and Official Statement:

- a. We will compare the dollar amounts included in the Statements of Net Position and Statements of Revenues, Expenses, and Changes in Net Position tables to the amounts in the University's audited financial statements for the respective years,
- b. We will compare the dollar amounts in the Indebtedness of the University and Compensated Absences sections to the amounts in the University's audited financial statements included in Appendix B to the Official Statement.

At the conclusion of the engagement, management of the University agrees to supply us with a representation letter that, among other things, will confirm management's responsibility for the

sufficiency of the agreed-upon procedures for its purposes and the fair presentation of the information included in the Preliminary Official Statement and Official Statement.

Our engagement to apply agreed-upon procedures will be performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures either for the purpose for which our report is being prepared or for any other purpose.

Because the agreed-upon procedures referred to above do not constitute an audit, we will not express an opinion on any of the elements, accounts, or items within the Official Statement. Our report will include a statement to that effect. In addition, we have no obligation to perform any procedures beyond those referred to above.

Our report will include a list of the procedures performed and the related findings. Our report will also contain a paragraph indicating that had we performed additional procedures, other matters might have come to our attention that would have been reported to you. We have no responsibility to update our report for events and circumstances occurring after the date of such report.

Our report is intended solely for the use of the University and Morgan Stanley, and is not intended for use by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. If you request that additional specified users of the report be added, we will require that they acknowledge, in writing, their agreement with the procedures and their responsibility for the sufficiency of the procedures for their purposes.

If we are unable to complete the agreed-upon procedures referred to above, we will discuss the matter with you during the engagement. In such circumstances, we may conclude that we will not issue a report as a result of this engagement.

While our report may be sent to the University electronically for your convenience, only the hard copy report is to be relied upon as our work product.

### **Management Responsibilities**

The management of the University is responsible for the fair presentation, in accordance with U.S. generally accepted accounting principles, of the financial statements and all representations contained therein. Management also is responsible for identifying and ensuring that the University complies with laws and regulations applicable to its activities, and for informing us of any known material violations of such laws and regulations. Management also is responsible for preventing and detecting fraud, including the design and implementation of programs and controls to prevent and detect fraud, for adopting sound accounting policies, and for establishing and maintaining effective internal control over financial reporting and procedures for financial reporting to maintain the reliability of the financial statements and to provide reasonable assurance against the possibility of misstatements that are material to the financial statements. Management is also responsible for informing us, of which it has knowledge, of all material weaknesses and significant deficiencies in the design or operation of

such controls. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Management of the University agrees that all records, documentation, and information we request in connection with the procedures performed pursuant to this letter will be made available to us, that all material information will be disclosed to us, and that we will have the full cooperation of the University's personnel.

Management is responsible for the annual financial statements and for supplying us with a representation letter that will, among other things, confirm that no events have occurred that would require adjustments to (or additional disclosures in) the audited financial statements included in the Official Statement.

#### **Dispute resolution**

Any dispute or claim arising out of or relating to this Engagement Letter or the services provided hereunder, or any other audit or attest services provided by or on behalf of KPMG or any of its subcontractors or agents to the University or at its request, shall be submitted first to non-binding mediation (unless either party elects to forego mediation by initiating a written request for arbitration) and if mediation is not successful within 90 days after the issuance by one of the parties of a request for mediation then to binding arbitration in accordance with the Rules for Non-Administered Arbitration of the International Institute for Conflict Prevention and Resolution then in effect ("CPR Arbitration Rules"). Any issue concerning the extent to which any dispute is subject to arbitration, or any dispute concerning the applicability, interpretation, or enforceability of these dispute resolution procedures, including any contention that all or part of these procedures is invalid or unenforceable, shall be governed by the Federal Arbitration Act and resolved by the arbitrators. By operation of this provision, the parties agree to forego litigation over such disputes in any court of competent jurisdiction.

Mediation, if selected, may take place at a location to be designated by the parties using Mediation Procedures of the International Institute for Conflict Prevention and Resolution, with the exception of paragraph 2 (Selecting the Mediator). Arbitration shall take place in New York, New York. The arbitration panel shall have no power to award non-monetary or equitable relief of any sort except as provided in CPR Rule 13 (Interim Measures of Protection). Damages that are inconsistent with any applicable agreement between the parties, that are punitive in nature, or that are not measured by the prevailing party's actual damages shall be unavailable in arbitration or any other forum. In no event, even if any other portion of these provisions is held to be invalid or unenforceable, shall the arbitration panel have power to make an award or impose a remedy that could not be made or imposed by a court deciding the matter in the same jurisdiction.

Either party may seek to enforce any written agreement reached by the parties during mediation, or to confirm and enforce any final award entered in arbitration, in any court of competent jurisdiction. Notwithstanding the agreement to such procedures, either party may seek equitable relief to enforce its rights in any court of competent jurisdiction.

### **Other matters**

All disputes with regard to, arising out of, or relating to services provided pursuant to this Engagement Letter (whether based in contract, tort, statute, regulation, or otherwise and whether pending in court or in an arbitral forum) shall be governed by and construed in accordance with the substantive and procedural laws of the State of New York, including without limitation, its statutes of limitations, without regard to its conflict of law provisions of New York or any other state or jurisdiction.

This letter shall serve as the University's authorization for the use of e-mail and other electronic methods to transmit and receive information, including confidential information, between KPMG and the University and between KPMG and outside specialists or other entities engaged by either KPMG or the University. The University acknowledges that e-mail travels over the public Internet, which is not a secure means of communication and, thus, confidentiality of the transmitted information could be compromised through no fault of KPMG. KPMG will employ commercially reasonable efforts and take appropriate precautions to protect the privacy and confidentiality of transmitted information.

Further, for purposes of the services described in this letter only, the University hereby grants to KPMG a limited, revocable, non-exclusive, non-transferable, paid up and royalty-free license, without right of sublicense, to use all logos, trademarks and service marks of the University solely for presentations or reports to the University or for internal KPMG presentations and intranet sites.

KPMG is a limited liability partnership comprising both certified public accountants and certain principals who are not licensed as certified public accountants. Such principals may participate in the engagements to provide the services described in this letter.

KPMG uses the services of KPMG controlled entities, KPMG member firms and/or third party service providers to provide professional services and administrative, analytical and clerical support. These parties may have access to certain of your information with the understanding that the confidential information will be maintained under information controls providing equivalent protection as our own. You also understand and agree that KPMG aggregates your information with information from other sources for the purpose of improving audit quality and service, and for use in presentations to clients and non-clients in a form where it is sufficiently de-identified so as not to be attributable to the University or where the University could be identified as a source of the information.

### ***Access to Audit Documentation by Regulators and Others***

The audit documentation for this engagement is the property of KPMG. In the event KPMG is requested pursuant to subpoena or other legal process to produce its documents and/or testimony relating to this engagement for the University in judicial or administrative proceedings to which KPMG is not a party, the University shall reimburse KPMG at standard billing rates for its professional time and expenses, including reasonable attorney's fees, incurred in responding to such requests.

We may also be requested to make certain audit documentation available to the state and federal regulators pursuant to authority provided by law or regulation. If so requested, access to such audit documentation will be provided. Furthermore, the state or federal regulators may obtain copies of selected audit documentation. The regulators may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies. We agree to communicate to you on a timely basis any requests by the regulators for access to the audit documentation as part of its inspection process and when it desires direct contact with members of the audit committee.

*Fees for Services*

Based upon our discussions with and representations of management, we estimate that fees for these services will be \$37,000, including expenses. This estimate is based on the level of expertise of the individuals who will perform the services. Circumstances encountered during the performance of these services that warrant additional time or expense could cause us to be unable to deliver the services within the above estimates. We will endeavor to notify you of any such circumstances as they are assessed.

Where KPMG is reimbursed for expenses, it is KPMG's policy to bill clients the amount incurred at the time the good or service is purchased. If KPMG subsequently receives a volume rebate or other incentive payment from a vendor relating to such expenses, KPMG does not credit such payment to the client. Instead, KPMG applies such payments to reduce its overhead costs, which costs are taken into account in determining KPMG's standard billing rates and certain transaction charges which may be charged to clients.

In addition, fees for any special audit-related projects, such as research and/or consultation on special business or financial issues, will be billed separately from the audit fees for professional services and may be subject to written arrangements supplemental to those in this letter.

The City University of New York  
June 2, 2014  
Page 7 of 7

We shall be pleased to discuss this letter with you at any time. For your convenience in confirming these arrangements, we enclose a copy of this letter. Please sign and return it to us.

Very truly yours,

KPMG LLP

Shelly R. Masi  
*Partner*

ACCEPTED:

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Mr. Matthew Sapienza

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Title

\_\_\_\_\_  
Date

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