



\$36,510,000 DORMITORY AUTHORITY OF THE STATE OF NEW YORK THE BRONX-LEBANON HOSPITAL CENTER REVENUE BONDS, SERIES 2009	
Dated: Date of Delivery	Due: February 15 and August 15, as shown on inside cover

Payment and Security: The Bronx-Lebanon Hospital Center Revenue Bonds, Series 2009 (the “Series 2009 Bonds”) are special obligations of the Dormitory Authority of the State of New York (the “Authority”), payable from amounts derived from draws under the Letter of Credit and from other Available Moneys. The Series 2009 Bonds are additionally secured (i) by a pledge of certain payments to be made under the Loan Agreement dated as of July 23, 2008 between The Bronx-Lebanon Hospital Center (the “Institution”) and the Authority (the “Loan Agreement”), (ii) by the Mortgage granted by the Institution, (iii) by a security interest in the Pledged Revenues, which have been pledged and assigned to the Trustee pursuant to and as provided in The Bronx-Lebanon Hospital Center Revenue Bond Resolution, adopted by the Authority on July 23, 2008 (the “Resolution”) and the Series 2009 The Bronx-Lebanon Hospital Center Revenue Bond Resolution authorizing the Series 2009 Bonds in an amount not exceeding \$38,500,000, adopted by the Authority on July 23, 2008 (the “Series 2009 Resolution”, and together with the Resolution, the “Resolutions”) and (iv) by certain funds and accounts established by the Resolutions. See “PART 2 - SOURCES OF PAYMENT OF AND SECURITY FOR THE SERIES 2009 BONDS.”

The Series 2009 Bonds will be payable from amounts derived from draws under an irrevocable direct-pay Letter of Credit (the “Letter of Credit”) issued by TD Bank, N.A.



(the “Bank”) to be held by the Trustee and from other Available Moneys. The Letter of Credit will permit the Trustee to draw an amount equal to the principal and interest (up to 206 days) on the Series 2009 Bonds. The Letter of Credit will expire ten years from the date of its issuance, unless sooner terminated or extended, and may be replaced by a Substitute Credit Facility, as more fully described herein. The Institution and the Bank will enter into a Letter of Credit Reimbursement Agreement, dated as of February 1, 2009, providing for reimbursement to the Bank of the amounts drawn under the Letter of Credit.

The Loan Agreement is a general obligation of the Institution and requires the Institution to pay, in addition to the fees and expenses of the Authority and the Trustee, amounts sufficient to pay the principal, Sinking Fund Installments and Redemption Price of and interest on all Bonds issued under the Resolution (the “Bonds”), as such payments become due. The obligations of the Institution under the Loan Agreement to make such payments will be secured by a pledge and assignment by the Institution of the Gross Receipts of the Institution and by the Mortgage. In addition, the Authority’s interests in the Loan Agreement, Mortgage and the Gross Receipts will be pledged and assigned to the Trustee for the benefit of the Holders of the Bonds under the Resolution and to the Bank to secure the Institution’s obligations under the Reimbursement Agreement (defined herein). The interests of the Authority, the Trustee and the Bank in the Mortgage and the Gross Receipts shall be governed by the terms of the Assignment Agreement by and among such parties.

The Series 2009 Bonds will not be a debt of the State of New York nor will the State be liable thereon. The Authority has no taxing power.

Description: The Series 2009 Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. Interest (due February 15 and August 15, commencing August 15, 2009) will be payable by check or draft mailed to the registered owners of the Series 2009 Bonds at their addresses as shown on the registration books held by the Trustee or, at the option of a holder of at least \$1,000,000 in principal amount of Series 2009 Bonds, by wire transfer to the holder of such Series 2009 Bonds, each as of the close of business on the fifteenth day of the month next preceding an interest payment date. The principal or Redemption Price of the Series 2009 Bonds will be payable at the principal corporate trust office of U.S. Bank National Association, New York, New York, the Trustee and Paying Agent or, with respect to Redemption Price, at the option of a holder of at least \$1,000,000 in principal amount of Series 2009 Bonds, by wire transfer to the holders of such Series 2009 Bonds as more fully described herein.

The Series 2009 Bonds will be issued initially under a Book-Entry Only System, registered in the name of Cede & Co., as nominee for The Depository Trust Company (“DTC”). Individual purchases of beneficial interests in the Series 2009 Bonds will be made in Book-Entry form (without certificates). So long as DTC or its nominee is the registered owner of the Series 2009 Bonds, payments of the principal and Redemption Price of and interest on such Series 2009 Bonds will be made directly to DTC or its nominee. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of DTC participants. See “PART 3 - THE SERIES 2009 BONDS - Book-Entry Only System” herein.

Redemption: *The Series 2009 Bonds are subject to redemption prior to maturity as more fully described herein.*

Tax Exemption: In the opinion of Winston & Strawn LLP, Bond Counsel to the Authority, based on existing statutes, regulations, rulings and court decisions, interest on the Series 2009 Bonds is not includable in gross income for federal income tax purposes, assuming continuing compliance with certain covenants and the accuracy of certain representations. In the further opinion of Bond Counsel, interest on the Series 2009 Bonds is not an “item of tax preference” for purposes of the federal alternative minimum tax on individuals and corporations; however, such interest will be includable in adjusted current earnings used to calculate the federal alternative minimum tax on corporations. Bond Counsel is also of the opinion that interest on the Series 2009 Bonds is under existing statutes exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2009 Bonds. See “PART 12-TAX MATTERS” herein.

The Series 2009 Bonds are offered when, as and if issued. The offer of the Series 2009 Bonds may be subject to prior sale or withdrawn or modified at any time without notice. The offer is subject to the approval of legality by Winston & Strawn LLP, New York, New York, Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for the Institution by its counsel, Garfunkel, Wild & Travis, P.C., Great Neck, New York, for the Bank by its counsel, Harris Beach PLLC, Albany, New York, and for the Underwriter by its counsel, Hawkins Delafield & Wood LLP, New York, New York. The Authority expects to deliver the Series 2009 Bonds in definitive form in New York, New York, on or about February 26, 2009.

Roosevelt & Cross Incorporated

\$36,510,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
THE BRONX-LEBANON HOSPITAL CENTER
REVENUE BONDS, SERIES 2009

\$6,615,000 Serial Bonds

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP*</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP*</u>
2/15/2011	\$315,000	4.00%	3.25%	6499037T2	8/15/2015	\$395,000	4.00%	4.30%	6499038C8
8/15/2011	325,000	4.00	3.30	6499037U9	2/15/2016	400,000	4.125	4.45	6499038D6
2/15/2012	330,000	4.00	3.50	6499037V7	8/15/2016	420,000	4.25	4.50	6499038E4
8/15/2012	335,000	4.00	3.55	6499037W5	2/15/2017	425,000	4.375	4.70	6499038F1
2/15/2013	345,000	4.00	3.75	6499037X3	8/15/2017	445,000	4.50	4.75	6499038G9
8/15/2013	355,000	4.00	3.80	6499037Y1	2/15/2018	455,000	5.00	4.95	6499038H7
2/15/2014	360,000	4.00	4.03	6499037Z8	8/15/2018	470,000	5.00	5.00	6499038J3
8/15/2014	375,000	4.00	4.08	6499038A2	2/15/2019	485,000	5.125	5.20	6499038K0
2/15/2015	380,000	4.00	4.25	6499038B0					

\$3,895,000 6.25% Term Bonds due August 15, 2022 Yield 5.75%**
(CUSIP No. 6499038L8*)

\$13,745,000 6.50% Term Bonds due August 15, 2030 Yield 6.31%***
(CUSIP No. 6499038M6*)

\$12,255,000 6.25% Term Bonds due February 15, 2035 Yield 6.56%
(CUSIP No. 6499038N4*)

* CUSIP numbers have been assigned by an organization not affiliated with the Authority and are included solely for the convenience of the holders of the Series 2009 Bonds. The Authority is not responsible for the selection or uses of these CUSIP numbers, nor is any representation made as to the correctness of the CUSIP numbers on the Series 2009 Bonds or as indicated above.

** Priced to first par call on February 15, 2014.

*** Priced to first par call on February 15, 2019.

No dealer, broker, salesperson or other person has been authorized by the Authority, the Institution, the Bank or the Underwriter to give any information or to make any representations with respect to the Series 2009 Bonds, other than the information and representations contained in this Official Statement. If given or made, any such information or representations must not be relied upon as having been authorized by the Authority, the Institution, the Bank or the Underwriter.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be a sale of the Series 2009 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

Certain information in this Official Statement has been supplied by the Institution, the Bank and other sources that the Authority believes are reliable. Neither the Authority nor the Underwriter guarantees the accuracy or completeness of such information and such information is not to be construed as a representation of the Authority or of the Underwriter. The Underwriter has provided the following sentence in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The Institution has reviewed the parts of this Official Statement describing the debt service requirements for the Series 2009 Bonds and the Series 2006 Bonds (hereinafter defined), the Institution, the Plan of Finance, the Estimated Sources and Uses of Funds, General Factors Affecting the Institution’s Revenues and Appendix B. The Institution shall certify as of the dates of sale and delivery of the Series 2009 Bonds that such parts do not contain any untrue statements of a material fact and do not omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading. The Institution makes no representations as to the accuracy or completeness of any other information included in this Official Statement.

The Bank has reviewed the parts of this Official Statement describing the Letter of Credit, the Reimbursement Agreement and the Bank. The Bank shall certify as of the date of delivery of the Series 2009 Bonds that the information contained herein describing the Bank, the Letter of Credit and the Reimbursement Agreement is true and correct in all material respects provided, however, that the financial information relating to the Bank fairly presents the financial condition of the Bank only as of the dates and for the periods indicated and, to the best knowledge of the Bank, there has been no material adverse change in the financial condition, taken as a whole, of the Bank since such dates. The Bank makes no representations as to the accuracy or completeness of any other information included in this Official Statement.

References in this Official Statement to the Act, the Resolutions, the Letter of Credit, the Assignment Agreement, the Reimbursement Agreement, the Loan Agreement and the Mortgage do not purport to be complete. Refer to the Act, the Resolutions, the Letter of Credit, the Assignment Agreement, the Reimbursement Agreement, the Loan Agreement and the Mortgage for full and complete details of their provisions. Copies of the Resolutions, the Letter of Credit, the Assignment Agreement, the Reimbursement Agreement, the Loan Agreement and the Mortgage are on file with the Authority and the Trustee.

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

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

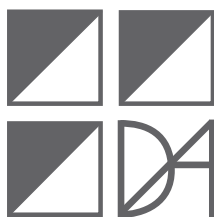
IN CONNECTION WITH THE OFFERING OF THE SERIES 2009 BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2009 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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DORMITORY AUTHORITY - STATE OF NEW YORK
PAUL T. WILLIAMS, JR. - EXECUTIVE DIRECTOR

515 BROADWAY ALBANY, N.Y. 12207
GAIL H.GORDON, ESQ. - CHAIR

OFFICIAL STATEMENT RELATING TO
\$36,510,000
DORMITORY AUTHORITY
OF THE STATE OF NEW YORK
THE BRONX-LEBANON HOSPITAL CENTER
REVENUE BONDS, SERIES 2009

PART 1 - INTRODUCTION

Purpose of the Official Statement

The purpose of this Official Statement, including the cover page, the inside cover page and appendices, is to provide information about the Authority, the Institution and the Bank in connection with the offering by the Authority of \$36,510,000 principal amount of its The Bronx-Lebanon Hospital Center Revenue Bonds, Series 2009 (the "Series 2009 Bonds").

The following is a brief description of certain information concerning the Series 2009 Bonds, the Resolutions, the Authority, the Institution, the Bank, the Letter of Credit, the Reimbursement Agreement, the Loan Agreement, the Gross Receipts, the Assignment Agreement and the Mortgage. A more complete description of such information and additional information that may affect decisions to invest in the Series 2009 Bonds is contained throughout this Official Statement, which should be read in its entirety. Certain terms used in this Official Statement are defined in Appendix A hereto.

Purpose of the Issue

The Authority will use the proceeds of the Series 2009 Bonds to make a loan to the Institution under the Loan Agreement to be used, together with other available moneys, (i) to pay the Costs of the Project described herein and (ii) to pay the Costs of Issuance of the Series 2009 Bonds. See "PART 6 -- THE PLAN OF FINANCE" and "PART 7 - ESTIMATED SOURCES AND USES OF FUNDS."

Authorization of Issuance

The Series 2009 Bonds will be issued pursuant to the Resolution, the Series 2009 Resolution and the Act. In addition to the Series 2009 Bonds, the Resolution authorizes the issuance of other Series of Bonds to pay other Costs of one or more projects, to pay the Costs of Issuance of such Series of Bonds and to refund all or a portion of Outstanding Bonds or other notes, bonds or other debt of the Authority or other issuers or lenders issued or advanced for the benefit of the Institution. Each Series of Bonds will be secured by a Credit Facility delivered with respect to such Series. All Bonds issued under the Resolution will rank on a parity with each other and will be secured equally and ratably with each other, except with respect to the respective Credit

Facility for each Series of Bonds. The Series 2009 Bonds are the first Series of Bonds issued under the Resolution. See “PART 3 - THE SERIES 2009 BONDS.”

The Authority

The Authority is a public benefit corporation of the State of New York (the “State”), created pursuant to the Act for the purpose of financing and constructing a variety of public purpose facilities for certain health care, educational, governmental and not-for-profit institutions. See “PART 9 - THE AUTHORITY.”

The Institution

The Institution is a not-for-profit corporation providing a broad range of adult and pediatric inpatient services, as well as ambulatory and emergency care services. See “PART 5 - THE BRONX-LEBANON HOSPITAL CENTER” and “Appendix B - Financial Statements of The Bronx-Lebanon Hospital Center and Independent Auditors’ Report.”

The Series 2009 Bonds

The Series 2009 Bonds will be dated their date of delivery and will bear interest from such date (payable August 15, 2009 and each February 15 and August 15 thereafter) at the rates set forth on the inside cover page of this Official Statement. See “PART 3 - THE SERIES 2009 BONDS - Description of the Series 2009 Bonds.”

Payment of the Series 2009 Bonds

The Series 2009 Bonds will be special obligations of the Authority payable solely from draws on the Letter of Credit and other Available Moneys held in certain funds or accounts established by the Resolutions and if such amounts are insufficient, from amounts paid by the Institution under the Loan Agreement. The Loan Agreement is a general obligation of the Institution. See “PART 2 - SOURCES OF PAYMENT OF AND SECURITY FOR THE SERIES 2009 BONDS.”

Security for the Series 2009 Bonds

The proceeds from the sale of the Series 2009 Bonds, the Revenues, the funds and accounts established by the Resolutions, other than the Credit Facility Provider Repayment Fund and the Arbitrage Rebate Fund, are assigned to the Trustee for the benefit of the Holders of the Series 2009 Bonds and TD Bank, N.A. (the “Bank”). In addition, the Loan Agreement, the Mortgage and the Authority’s security interest in the Gross Receipts are assigned to the Trustee, as security for the payment of the principal, Redemption Price of and interest on the Series 2009 Bonds and, together with the Credit Facility Provider Repayment Fund, to the Bank to secure repayments of amounts paid by the Bank under the Letter of Credit and of all other amounts payable under the Reimbursement Agreement. The respective rights and remedies of the Authority, the Trustee and the Bank with respect to the Loan Agreement, Mortgage and the Gross Receipts and other collateral shall be governed by the provisions of the Assignment Agreement and that certain Intercreditor Agreement to be entered into by the Institution, the Authority, the Bank, the Trustee, the trustee for the Series 2006 Bonds (hereinafter defined) and U.S. Bank National Association, as Security Agent (the “Intercreditor Agreement”). Pursuant to the Intercreditor Agreement, the security interests in the Mortgaged Property and the Gross Receipts securing the Series 2009 Bonds will be on a parity with respect to the security interests in such Mortgaged Property and Gross Receipts granted in connection with the Authority’s Secured Hospital Revenue Refunding Bonds, The Bronx-Lebanon Hospital Center, Series 2006 (the “Series 2006 Bonds”), presently outstanding in the principal amount of \$97,065,000. With the prior approval of the Authority and the Bank, the Institution may incur additional indebtedness secured on a parity with respect to the security interests in the Gross Receipts and the Mortgaged Property securing the Series 2009 Bonds. See “PART 2 -

SOURCES OF PAYMENT OF AND SECURITY FOR THE SERIES 2009 BONDS - Security for the Series 2009 Bonds.”

The Letter of Credit

Pursuant to a Letter of Credit Reimbursement Agreement (the “Reimbursement Agreement”) between the Bank and the Institution, concurrently with the issuance of the Bonds, the Bank will issue for the account of the Institution and for the benefit of the Trustee, an irrevocable, direct-pay letter of credit (the “Letter of Credit”), pursuant to which the Bank will be obligated, subject to the terms and conditions of the Letter of Credit, to honor drawings by the Trustee thereunder to pay the principal and interest (up to 206 days of interest), but not any applicable redemption premium, on the Series 2009 Bonds. See “PART 2 - SOURCES OF PAYMENT OF AND SECURITY FOR THE SERIES 2009 BONDS - Payment of the Series 2009 Bonds - The Letter of Credit.”

The Mortgage and Gross Receipts

The Institution’s obligations to the Authority under the Loan Agreement will be additionally secured by a Mortgage on the Mortgaged Property and security interests in fixtures, furnishings and equipment located thereon, as well as a security interest in the Gross Receipts. The Authority will assign the Loan Agreement, the Mortgage and such security interests to the Trustee for the benefit of the Holders of Bonds and to the Bank to secure repayments of amounts paid by the Bank under the Letter of Credit and of all other amounts payable under the Reimbursement Agreement. The security interests in the Gross Receipts and the Mortgaged Property securing the Series 2009 Bonds and the Bank will be on a parity with such security interests granted in connection with the Series 2006 Bonds. The respective rights and remedies of the Authority, the Trustee and the Bank with respect to the Loan Agreement, the Mortgage and the security interests in Gross Receipts shall be governed by the provisions of the Assignment Agreement and the Intercreditor Agreement. In addition, the Institution may, with the prior approval of the Authority and the Bank, incur additional indebtedness secured on a parity with respect to the security interests in the Gross Receipts and the Mortgaged Property securing the Series 2009 Bonds. See “PART 2 - SOURCES OF PAYMENT OF AND SECURITY FOR THE SERIES 2009 BONDS – Security for the Series 2009 Bonds - The Mortgage and Gross Receipts.”

The Plan of Finance

The plan of finance consists of funding renovations, expansion, furnishings and capital improvements to the Institution facility. See “PART 6 - THE PLAN OF FINANCE.”

PART 2 - SOURCES OF PAYMENT OF AND SECURITY FOR THE SERIES 2009 BONDS

Set forth below is a narrative description of certain statutory and contractual provisions relating to the sources of payment of and security for the Series 2009 Bonds and certain related covenants. These provisions have been summarized and this description does not purport to be complete. Reference should be made to the Act, the Loan Agreement, the Mortgage, the Assignment Agreement, the Letter of Credit, the Reimbursement Agreement and the Resolutions. Copies of the Loan Agreement, the Mortgage, the Assignment Agreement, the Letter of Credit, the Reimbursement Agreement and the Resolutions are on file with the Authority and the Trustee. For a more complete statement of the rights, duties and obligations of the parties thereto, see also “Appendix C - Summary of Certain Provisions of the Loan Agreement” and “Appendix D - Summary of Certain Provisions of the Resolutions.”

Payment of the Series 2009 Bonds

General

The Series 2009 Bonds are special obligations of the Authority. The principal, Sinking Fund Installments and interest on the Series 2009 Bonds are payable solely from moneys drawn under the Letter of Credit and other Available Moneys held in the Debt Service Fund established by the Resolutions. The Institution, to assure timely payment of the amounts required for payment of the principal, Sinking Fund Installments and interest on the Series 2009 Bonds, has caused the Bank to issue its irrevocable, direct-pay Letter of Credit for the account of the Institution and for the benefit of the Trustee.

The Series 2009 Bonds are not a debt of the State nor is the State liable thereon. The Authority has no taxing power. See “PART 9 - THE AUTHORITY.”

The Letter of Credit

The following is a summary of certain provisions of the Letter of Credit. Reference is made to the Letter of Credit for the detailed provisions thereof and the discussion herein is qualified by such reference.

The Letter of Credit will be issued in an initial stated amount equal to \$38,076,888, consisting of \$36,510,000, which may be drawn to pay principal, Sinking Fund Installments and the principal portion of the Redemption Price of the Series 2009 Bonds, and \$1,566,888 (an amount equal to 206 days’ interest computed at the rate of 7.5% per annum), which may be drawn to pay interest on and the interest portion of the Redemption Price of the Series 2009 Bonds.

Unless extended, the Letter of Credit will expire ten years from the date of its issuance. The Bank has agreed that the term of the Letter of Credit may be extended, in the Bank’s sole discretion, for an additional one year period, commencing on the seventh anniversary of its date of issuance and on each anniversary thereafter. If the Letter of Credit is not extended or replaced, the Series 2009 Bonds are to be mandatorily redeemed on any Business Day which is not less than 15 days nor more than 45 days prior to the expiration date of the Letter of Credit. See “PART 3 - THE SERIES 2009 BONDS - Description of the Series 2009 Bonds - Special Mandatory Redemption.”

The principal and interest components of the Letter of Credit will be subject to reduction and the interest component is subject to reinstatement in accordance with the terms of the Letter of Credit to reflect drawings made. Any reduction in the interest component of the Letter of Credit resulting from a draw with respect to interest on the Series 2009 Bonds, less the amount of such reduction attributable to payment upon redemption or maturity of the related Series 2009 Bonds, will be reinstated automatically on the eleventh (11th) day following such draw unless the Bank gives the Trustee notice by the close of business on the tenth (10th) day following the date on which the draft is honored that the interest portion of the Letter of Credit will not be reinstated. The interest portion of the Letter of Credit will not be reinstated if the Institution is in default under the Reimbursement Agreement.

The Institution and the Bank will enter into the Reimbursement Agreement whereby the Institution will make certain representations and will agree, among other things, to reimburse the Bank, with interest, for amounts drawn under the Letter of Credit, to pay certain fees and expenses to the Bank, and to observe and perform certain covenants. If any of such representations are untrue or if the Institution fails to comply with any of its obligations under the Reimbursement Agreement, an event of default under the Reimbursement Agreement may occur.

The occurrence of any of the following events shall be an event of default under the Reimbursement Agreement (terms used in the description below that are not otherwise defined herein have the meanings ascribed thereto in the Reimbursement Agreement):

(a) (i) failure of the Institution to reimburse the Bank for any drawing honored under the Letter of Credit as required in the Reimbursement Agreement or (ii) failure of the Institution to make any payment of any fees or other amounts due under the Reimbursement Agreement within five (5) Business Days after such fees or other amounts become due in accordance with the Reimbursement Agreement;

(b) any representation or warranty in any of the Letter of Credit Documents, in any certificate or report furnished in connection with the Reimbursement Agreement or in any amendment to the Reimbursement Agreement, shall prove to be false or misleading in any material respect when made or given or deemed made or given;

(c) (i) default shall be made in the payment of any obligation of the Institution for borrowed money in excess of \$500,000, or (ii) default shall be made in respect of any agreement or obligation relating to any obligation of the Institution for borrowed money in excess of \$500,000, if the effect of such default or the result of any action by the obligee is to accelerate the maturity of such obligation or to permit the holder or obligee thereof (or a trustee on behalf of such holder or obligee) to cause such obligation to become due prior to the stated maturity thereof or which, with the passage of time, the giving of notice or both would constitute an event of default under any agreement, or any such obligation shall not be paid when due after giving effect to any applicable grace period;

(d) default shall be made in the due observance or performance of any covenant, condition or agreement to be performed pursuant to the Reimbursement Agreement (other than as set forth in paragraphs (a) through (y) under this subcaption "Payment of the Series 2009 Bonds – The Letter of Credit") which shall continue unremedied for more than thirty (30) days after notice by the Bank or, if such default cannot be cured in thirty (30) days for which no curative action is commenced within thirty (30) days and prosecuted to completion;

(e) (i) default shall be made in the due observance or performance of any covenant, condition or agreement of the Institution to be performed pursuant to the Letter of Credit Documents and not cured within any applicable grace period or (ii) any of the Letter of Credit Documents shall cease to be in full force and effect or shall be declared to be null and void, or the validity or enforceability thereof shall be contested or any party thereto shall deny that it has any further liability to the Bank with respect thereto;

(f) the Institution shall (i) voluntarily commence any case, proceeding or other action or file any petition seeking relief under Title 11 of the United States Code or any other existing or future Federal, domestic or foreign bankruptcy, insolvency or similar law, (ii) consent to the institution of, or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, (iii) apply for or consent to the employment of a receiver, trustee, custodian, sequestrator or similar official for the Institution or for a substantial part of their respective property, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, (vi) become unable, admit in writing its inability or fail generally to pay its debts as they become due or (vii) take action for the purpose of effecting any of the foregoing;

(g) an involuntary case, proceeding or other action shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of the Institution or of a substantial part of its respective property, under Title 11 of the United States Code or any other existing or future Federal, domestic or foreign bankruptcy, insolvency or similar law, (ii) the appointment of a receiver, trustee, custodian, sequestrator or similar official for the Institution or for a substantial part of its respective property, or (iii) the winding-up or liquidation of the Institution; and such proceeding or petition shall continue undismissed for sixty (60) days or an order or decree approving or ordering any of the foregoing shall continue unstayed and in effect for sixty (60) days;

(h) there shall be commenced against the Institution any case, proceeding or other action seeking issuance of a warrant of attachment, execution, restraint or similar process against all or any substantial part of

its assets which results in the entry of an order for any such relief which shall not have been vacated, discharged or stayed or bonded pending appeal within sixty (60) days from the entry thereof;

(i) a judgment or order for the payment of money in excess of \$500,000 shall be rendered against the Institution and either (i) enforcement proceedings shall have been commenced by any creditor upon such judgment or order or (ii) there shall be any period of ten (10) consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect;

(j) (i) any Person shall engage in any “prohibited transaction” (as defined in Section 406 of ERISA or Section 4975 of the Code) involving any Plan, (ii) any “accumulated funding deficiency” (as defined in Section 302 of ERISA), whether or not waived, shall exist with respect to any Plan, or any lien shall arise on the assets of the Institution or any Commonly Controlled Entity in favor of the PBGC or a Plan, (iii) a Reportable Event shall occur with respect to, or proceedings shall commence to have a trustee appointed (or a trustee shall be appointed) to administer, or to terminate, any Single Employer Plan, which Reportable Event or commencement of proceedings or appointment of a trustee is, in the reasonable opinion of the Bank, likely to result in the termination of such Plan for purposes of Title IV of ERISA, (iv) any Single Employer Plan shall terminate for purposes of Title IV of ERISA, (v) the Institution or any Commonly Controlled Entity shall, or in the opinion of the Bank is likely to, incur any liability in connection with a withdrawal from, or the Insolvency or Reorganization of, a Multiemployer Plan or (vi) any other event or condition shall occur or exist with respect to a Plan; and in each case in clauses (i) through (vi) above, such event or condition, together with all other such events or conditions, if any, could subject the Institution to any tax, penalty or other liabilities in the aggregate material in relation to the business, operation, property or financial or other condition of the Institution;

(k) the Institution shall become liable at any time for remediation and/or environmental compliance expenses and/or fines, penalties or other charges in excess of \$500,000;

(l) suspension or material alteration of the nature of the business of the Institution;

(m) any material adverse change with respect to the Institution;

(n) any “Event of Default” (as defined in the Resolution and the Loan Agreement) shall have occurred or any failure or default shall have occurred under any of the Bond Financing Documents and shall have continued beyond the expiration of any applicable notice or cure period;

(o) the Institution shall fail to perform any obligation under or there shall exist any event of default beyond any applicable notice or cure period under any other document or instrument executed and delivered by the Institution to the Bank evidencing or securing the Reimbursement Agreement or otherwise in connection with the Letter of Credit including the other Letter of Credit Documents;

(p) any provision of the Reimbursement Agreement, the other Letter of Credit Documents or the Bond Financing Documents shall at any time for any reason cease to be valid and binding on the Institution or shall be declared to be null and void, or the validity or enforceability thereof shall be contested by the Institution, or a proceeding shall be commenced by any governmental agency or authority or other party having jurisdiction over the Institution seeking to establish the invalidity or unenforceability thereof, or the Institution shall deny that it has any or further liability or obligation under the Reimbursement Agreement;

(q) the Institution shall fail to pay within twenty (20) days of notice and demand by the Bank, any installment of any assessment against the Premises for local improvements heretofore or hereafter laid, which assessment is or may become payable in annual or periodic installments and is or may become a lien on the Premises;

(r) a Federal tax lien for an amount in excess of \$50,000 is filed against the Institution or the Premises and the same is not discharged of record within thirty (30) days after the same is filed unless such Federal tax lien is being diligently contested by the Institution in good faith, and the Institution shall have set aside cash reserves in a manner satisfactory to the Bank which in the opinion of the Bank will be sufficient to cover the Federal tax lien and all interest and penalties thereon; provided (i) the Bank is satisfied that such Federal tax lien does not have a Material Adverse Effect and (ii) that if, at any time, payment of such Federal tax and related charges, interest or penalties, if any, shall become necessary to prevent the enforcement of a lien because of non-payment of any such sums, then the Institution shall pay or cause to be paid the sums in sufficient time to prevent the delivery of such tax deed;

(s) without the consent of the Bank (which consent in any and all circumstances may be withheld in the sole and absolute discretion of the Bank) any part of the Premises or any interest of any nature whatsoever therein or any interest of any nature whatsoever in the Institution (whether partnership, membership, stock, equity, beneficial, profit, loss or otherwise) or all or substantially all of the assets of the Institution, is in any manner, by operation of law or otherwise, whether directly or indirectly, further encumbered, sold, transferred, assigned or conveyed, except in the ordinary course of business or as expressly permitted herein, and irrespective of whether any such further encumbrance, sale, transfer, assignment or conveyance is voluntary, by reason of operation of law;

(t) without the consent of the Bank, any of the Premises (except for the normal replacement of the fixtures therein) is removed, demolished or materially altered, or the Premises is not kept in good condition and repair (normal wear and tear excepted);

(u) the Institution shall fail to comply with any material requirement or order or notice of violation of law or ordinance issued by any governmental department claiming jurisdiction over the Premises within three (3) months from the issuance thereof, or the time period set forth therein, whichever is less, unless the Institution shall diligently and in good faith contest the same by appropriate legal proceedings which shall operate to prevent the enforcement of any actions with respect thereto, the assessment of any liens or penalties or collection of the same and the creation of liens against the Premises or sale of the Premises or any part thereof, to satisfy the same;

(v) the Institution shall fail to pay the Bank within five (5) Business Days of demand any and all insurance premiums and/or taxes paid by the Bank pursuant to the Reimbursement Agreement or the Bond Financing Documents, together with any late payment charge and interest thereon calculated at the Default Rate;

(w) without the consent of the Bank, any leases affecting the Premises are made, canceled or modified or any portion of the rents due thereunder are paid for a period of more than one (1) month in advance or any of the rents are further assigned;

(x) the Premises shall become subject (i) to any tax lien, other than a lien for local real estate taxes and assessments not due and payable, or (ii) to any lis pendens, notice of pendency, stop order, notice of intention to file mechanic's or materialman's lien, mechanic's or materialman's lien or other lien of any nature whatsoever in violation of Section 6.01 of the Reimbursement Agreement and the same shall not either be discharged of record or in the alternative insured over to the satisfaction of the Bank by the title company insuring the lien of the Mortgage within a period of thirty (30) days after the Institution receives notice that the same has been filed or recorded, and irrespective of whether the same is superior or subordinate in lien or other priority to the lien of the Mortgage and irrespective of whether the same constitutes a perfected or inchoate lien or encumbrance on the Premises or is only a matter of record or notice, unless, with respect to (i) only, such tax lien is being diligently contested by the Institution in good faith, and the Institution shall have set aside cash reserves in a manner satisfactory to the Bank which in the opinion of the Bank will be sufficient to cover the tax lien and all interest and penalties thereon; provided (a) the Bank is satisfied that such tax lien does not have a materially adverse effect on the business, assets or financial or other condition of the Institution or on

the Premises, the Mortgage or the lien thereof, and (b) that if, at any time, payment of such tax and related charges, interest or penalties, if any, shall become necessary to prevent the delivery of a tax deed conveying the Premises or any portion thereof because of non-payment of any such sums, then the Institution shall pay or cause to be paid the sums in sufficient time to prevent the delivery of such tax deed; or

(y) the Institution shall fail to maintain the licenses, certifications and permits necessary to continue its operations.

If an Event of Default under the Reimbursement Agreement beyond any applicable notice or cure period occurs, all amounts outstanding under the Reimbursement Agreement with interest thereon and all other amounts payable under the Reimbursement Agreement, or, under certain circumstances upon the declaration of the Bank, shall become immediately due and payable. The rights and remedies granted to the Bank under the Reimbursement Agreement arising from an Event of Default shall be in addition to and not in lieu of any other rights or remedies which may be afforded to the Bank under the other Letter of Credit Documents and the Bond Financing Documents, including but not limited to the right to require the Trustee to redeem all of the Series 2009 Bonds and interest accrued thereon as provided in the Resolution and all other rights and remedies set forth in the Resolutions, the Loan Agreement and the Mortgage.

Substitute Credit Facility

The Authority or the Institution (with the consent of the Authority) may, at any time, deliver or cause to be delivered to the Trustee a Substitute Credit Facility in substitution for the Letter of Credit or other Credit Facility then in effect. The amount available under the Substitute Credit Facility must be at least equal to the sum of the principal amount of Series 2009 Bonds then Outstanding, plus an amount available to be drawn on account of up to 206 days of interest on such Series 2009 Bonds. The Credit Facility Provider issuing the Substitute Credit Facility must have a combined capital stock surplus and undivided profits of at least \$125,000,000. No Substitute Credit Facility may expire by its terms earlier than the expiration date of the then existing Letter of Credit or other Credit Facility. Prior to the substitution there must be delivered to the Trustee written evidence from each of Moody's or such other rating agency which then rates the Series 2009 Bonds to the effect that termination of the then existing Letter of Credit or other Credit Facility and issuance of the Substitute Credit Facility (i) will not result in the reduction or withdrawal of the rating then assigned to the Outstanding Series 2009 Bonds and (ii) will not cause such Outstanding Series 2009 Bonds to be rated below investment grade. There will be no mandatory tender of the Series 2009 Bonds upon any such substitution of the Credit Facility.

Security for the Series 2009 Bonds

In addition to the Letter of Credit, except as described below, payment of the principal, Sinking Fund Installments of and interest on the Series 2009 Bonds and performance by the Authority of its obligations under the Resolutions are secured by the pledge made by the Resolutions of the funds and accounts established by the Resolutions, other than the Credit Facility Provider Repayment Fund and the Arbitrage Rebate Fund, and of the Revenues. In addition, payment of the principal, Sinking Fund Installments of and interest on the Series 2009 Bonds and performance by the Authority of its obligations under the Resolutions are secured by the assignment to the Trustee of the Loan Agreement, the Mortgage and the Authority's security interest in the Gross Receipts granted by the Institution to secure its obligations under the Loan Agreement. In addition, the Authority's interest in the Mortgage and the Gross Receipts, together with the Credit Facility Provider Repayment Fund, are assigned to the Bank as security for the Institution's obligations under the Reimbursement Agreement. As described below, the security interests in the Mortgaged Property and Gross Receipts securing the Series 2009 Bonds are on a parity with the security interests granted in connection with the Series 2006 Bonds. The respective rights of the Authority, the Trustee and the Bank with respect to the Loan Agreement, the Mortgage and the Gross Receipts shall be governed by the provisions of the Assignment Agreement. The security for the Series 2009 Bonds, except for the Letter of Credit issued by the Bank, will also be for the benefit of all other Bonds to be issued under the Resolution.

Funds and Accounts

Among the funds and accounts established and pledged by the Resolution is the Debt Service Fund, which includes the Credit Facility Account. The Credit Facility Account is to be funded with moneys drawn under the Letter of Credit for the payment of the principal of the Series 2009 Bonds, whether payable at maturity or upon redemption, and the interest on the Series 2009 Bonds as such payments become due. The moneys in the Credit Facility Account are to be applied to such payments.

The Resolution also establishes a Credit Facility Provider Repayment Fund which is to be funded with moneys paid by the Institution pursuant to the Loan Agreement on account of the principal and Redemption Price of and interest on the Series 2009 Bonds. The moneys in the Credit Facility Provider Repayment Fund are to be applied to reimburse the Bank for payments made under the Letter of Credit. For a more complete description of the funds and accounts established by the Resolution and of the provisions of the Resolution relating to their funding sources and the investment and application of the moneys therein, see "Appendix D - Summary of Certain Provisions of the Resolutions."

The Revenues

The Revenues pledged by the Authority to secure the Series 2009 Bonds consist of the payments made by the Institution on account of the principal, Redemption Price of and interest on the Series 2009 Bonds.

The Loan Agreement and the Institution's obligation to make the payments required by it are general obligations of the Institution payable out of any moneys available to it. The payments to be made by the Institution on account of the principal, Redemption Price and Sinking Fund Installments of and interest on the Series 2009 Bonds are required to be made at times and in amounts necessary to assure that, on the dates payments are due on the Series 2009 Bonds, sufficient moneys are held in the Debt Service Fund to pay principal, Redemption Price of, and interest on the Series 2009 Bonds when due. After a draw on the Letter of Credit to pay amounts when due on the Series 2009 Bonds, amounts in the Debt Service Fund will be transferred to the Credit Facility Provider Repayment Fund to reimburse the Bank for moneys advanced by it under the Letter of Credit.

The Mortgage and Gross Receipts

The Institution has secured its obligations under the Loan Agreement by giving the Authority a mortgage on property and the improvements thereon (the "Mortgage") and a security interest in the fixtures, furnishings and equipment now or hereafter located on the Mortgaged Property. To further secure its obligations under the Loan Agreement, the Institution has given the Authority a security interest in the Gross Receipts, which consist, generally, of all Medicaid receivables and other receipts, revenues, income and moneys received by the Institution derived from the operations of the Institution or any of its facilities or from any other source.

The Authority has assigned the Loan Agreement, the Mortgage and its security interest in the Gross Receipts to the Trustee to secure the Authority's obligations under the Resolution, and to the Bank to secure repayments of amounts advanced by the Bank under the Letter of Credit and of all other amounts payable under the Reimbursement Agreement. The respective rights and obligations of the Authority, the Bank and the Trustee to enforce the provisions of the Loan Agreement and the Mortgage, to foreclose the Mortgage or realize upon the security interests and to share in any recoveries resulting therefrom are controlled and limited by the Assignment Agreement entered into by and among said parties and the Intercreditor Agreement. Pursuant to the Intercreditor Agreement, the security interests in the Mortgaged Property and the Gross Receipts securing the Series 2009 Bonds will be on a parity with respect to the security interests in such Mortgaged Property and Gross Receipts granted in connection with the Series 2006 Bonds. With the prior approval of the Authority and the Bank, but without the consent of the Holders of the Series 2009 Bonds, the

Institution may incur additional indebtedness secured on a parity with respect to the security interests in the Gross Receipts and the Mortgaged Property securing the Series 2009 Bonds.

The Assignment Agreement

The respective rights and remedies of the Authority, the Trustee and the Bank under the Loan Agreement and the Mortgage are controlled by the terms of the Assignment Agreement, pursuant to which the Authority will, upon the issuance of the Series 2009 Bonds, assign to the Trustee and the Bank and the Authority's rights under the Loan Agreement (other than certain Reserved Rights of the Authority) and under the Mortgage. The Assignment Agreement provides that so long as the Letter of Credit is in effect and the Bank is not in default of its payment obligations thereunder, the Bank shall have the sole right to grant any approval, consent or waiver required and sole control of remedies under the Loan Agreement (other than with respect to the Authority's Reserved Rights) and under the Mortgage.

Events of Default and Remedies

An Event of Default will exist under the Resolution if (i) payment of the principal, Redemption Price or the Sinking Fund Installments of or interest on any Bond is not made when due, (ii) the Authority defaults in the due and punctual performance of the tax covenants contained in the Resolution and, as a result thereof, the interest on Bonds of a Series shall no longer be excludable from gross income under the Code, (iii) the Authority defaults in the due and punctual performance of any other covenants, conditions, agreements and provisions contained in the Bonds or the Resolution or any Series Resolution on the part of the Authority to be performed and such default continues for 30 days after written notice of it is given to the Authority by the Trustee, which notice may be given in the Trustee's discretion and must be given at the written request of the Holders of not less than 25% in principal amount of the Outstanding Bonds or the Credit Facility Provider, or (iv) an "Event of Default", as defined in the Loan Agreement, has occurred and is continuing and all sums payable by the Institution under the Loan Agreement have been declared to be immediately due and payable. See "Appendix D - Summary of Certain Provisions of the Resolutions." Except as described above, an event of default under the Loan Agreement is not an Event of Default under the Resolution.

The Resolution provides that if an Event of Default occurs and continues (except an Event of Default described in clause (ii) in the above paragraph), the Trustee may, with the consent of the Credit Facility Provider, and upon the written request of (i) the Credit Facility Provider, or (ii) the Holders of not less than 25% in principal amount of the Outstanding Bonds and with the prior written consent of the Credit Facility Provider shall, declare the principal of and interest on all of the Outstanding Bonds to be due and payable immediately. Interest shall cease to accrue upon such payment, which payment shall occur not more than seven (7) days following such declaration, and the Trustee shall draw upon the Letter of Credit in order to make such payment. The Trustee may, with the written consent of the Holders of not less than 25% in principal amount of such Bonds not then due by their terms and then Outstanding, by written notice to the Authority, annul such declaration and its consequences if all Events of Default have been remedied and if the other conditions specified in the Resolution with respect to such annulment have been met, including the consent of the Credit Facility Provider in certain instances.

The Resolution provides that the Trustee, within 30 days after the occurrence of an Event of Default, is to mail to the Holders of the Outstanding Bonds notice of all Events of Default which have occurred.

Issuance of Additional Bonds

In addition to the Series 2009 Bonds, the Resolution authorizes the issuance of other Series of Bonds to finance projects and for other specified purposes including to refund Outstanding Bonds or other notes, bonds or other debt of the Authority or other issuers or lenders issued or advanced on behalf of the Institution. All Bonds issued under the Resolution will rank on a parity with each other and will be secured equally and ratably with each other, except with respect to the respective Credit Facility for each Series of Bonds.

PART 3 - THE SERIES 2009 BONDS

Description of the Series 2009 Bonds

The Series 2009 Bonds will be issued pursuant to the Resolution and the Series 2009 Resolution, will be dated their date of delivery, and will bear interest from such date (payable August 15, 2009 and on each February 15 and August 15 thereafter) at the rates, and will mature at the times set forth on the inside cover page of this Official Statement. Interest on the Series 2009 Bonds will accrue based upon a 360-day year of twelve 30-day months.

The Series 2009 Bonds will be issued as fully registered bonds. The Series 2009 Bonds will be issued in denominations of \$5,000 or any integral multiple thereof. The Series 2009 Bonds will be registered in the name of Cede & Co., as nominee of DTC, pursuant to DTC's Book-Entry Only System. Purchases of beneficial interests in the Series 2009 Bonds will be made in book-entry form, without certificates. If at any time the Book-Entry Only System is discontinued for the Series 2009 Bonds, the Series 2009 Bonds will be exchangeable for other fully registered Series 2009 Bonds in any other authorized denominations of the same maturity without charge except the payment of any tax, fee or other governmental charge to be paid with respect to such exchange, subject to the conditions and restrictions set forth in the Resolutions. See "Book-Entry Only System" herein and "Appendix D - Summary of Certain Provisions of the Resolutions."

Interest on the Series 2009 Bonds will be payable by check mailed to the registered owners thereof. The principal or redemption price of the Series 2009 Bonds will be payable in lawful money of the United States of America at the principal corporate trust office of U.S. Bank National Association, New York, New York, the Trustee and Paying Agent. As long as the Series 2009 Bonds are registered in the name of Cede & Co., as nominee of DTC, such payments will be made directly to DTC. See "Book-Entry Only System" herein.

For a more complete description of the Series 2009 Bonds, see "Appendix D - Summary of Certain Provisions of the Resolutions."

Redemption

The Series 2009 Bonds are subject to optional, special and mandatory redemption prior to maturity as described below.

Optional Redemption

The Series 2009 Bonds maturing on or prior to February 15, 2019 are not subject to optional redemption prior to maturity. The Series 2009 Bonds maturing on August 15, 2022 are subject to optional redemption prior to maturity, at par plus accrued interest to the date of redemption, at the election or direction of the Authority, on or after February 15, 2014 in any order, as a whole or in part, at any time. The Series 2009 Bonds maturing on or after August 15, 2030 are subject to optional redemption prior to maturity, at par plus accrued interest to the date of redemption, at the election or direction of the Authority, on or after February 15, 2019 in any order, as a whole or in part, at any time.

Special Redemption

The Series 2009 Bonds are also subject to redemption prior to maturity, in whole or in part, at 100% of the principal amount thereof plus accrued interest to the date of redemption, at the option of the Authority on any interest payment date, (i) from proceeds of a condemnation or insurance award, which proceeds are not used to repair, restore or replace the Project or the Mortgaged Property, and (ii) from unexpended proceeds of the Series 2009 Bonds upon the abandonment of all or a portion of the Project due to a legal or regulatory impediment or the completion of the Project.

Mandatory Redemption

The Series 2009 Bonds maturing on August 15, 2022, August 15, 2030 and February 15, 2035 are subject to redemption from Available Moneys, in part, on each February 15 and August 15 of the years and in the respective principal amounts set forth below, at 100% of the principal amount thereof, plus accrued interest to the date of redemption, from mandatory Sinking Fund Installments which are required to be made in amounts sufficient to redeem on February 15 and August 15 of each year the principal amount of Series 2009 Bonds specified for each of the years shown below:

Series 2009 Term Bonds due August 15, 2022		Series 2009 Term Bonds due August 15, 2030			
Redemption Date	Sinking Fund Installments	Redemption Date	Sinking Fund Installments	Redemption Date	Sinking Fund Installments
8/15/2019	\$500,000	2/15/2023	\$645,000	2/15/2027	\$ 865,000
2/15/2020	515,000	8/15/2023	665,000	8/15/2027	895,000
8/15/2020	535,000	2/15/2024	690,000	2/15/2028	930,000
2/15/2021	555,000	8/15/2024	720,000	8/15/2028	960,000
8/15/2021	575,000	2/15/2025	745,000	2/15/2029	1,000,000
2/15/2022	595,000	8/15/2025	770,000	8/15/2029	1,035,000
8/15/2022	620,000†	2/15/2026	800,000	2/15/2030	1,075,000
		8/15/2026	830,000	8/15/2030	1,120,000†

Series 2009 Term Bonds due February 15, 2035	
Redemption Date	Sinking Fund Installments
2/15/2031	\$1,165,000
8/15/2031	1,195,000
2/15/2032	1,245,000
8/15/2032	1,295,000
2/15/2033	1,340,000
8/15/2033	1,390,000
2/15/2034	1,445,000
8/15/2034	1,495,000
2/15/2035	1,685,000†

† Final maturity.

The Authority may from time to time direct the Trustee to purchase Series 2009 Bonds with Available Moneys set aside for redemption in the Debt Service Fund, at or below par plus accrued interest to the date of such purchase, and apply any Series 2009 Bonds so purchased as a credit, at 100% of the principal amount thereof, against and in fulfillment of a required Sinking Fund Installment on the Series 2009 Bonds of the same maturity. To the extent the Authority's obligation to make Sinking Fund Installments in a particular year is fulfilled through such purchases, the likelihood of redemption through mandatory Sinking Fund Installments of any Bondholder's Series 2009 Bonds of the maturity so purchased will be reduced for such year.

Special Mandatory Redemption

The Series 2009 Bonds are subject to special mandatory redemption prior to maturity, as a whole, at the Redemption Price of 100% of the principal amount thereof, plus accrued interest to the date of redemption, not less than 15 days nor more than 45 days prior to the expiration date of the Letter of Credit if the expiration date of the Letter of Credit has not been extended and no Substitute Credit Facility has been delivered to the

Trustee. See “PART 2 - SOURCES OF PAYMENT OF AND SECURITY FOR THE SERIES 2009 BONDS - Payment of the Series 2009 Bonds - *The Letter of Credit.*”

The Series 2009 Bonds are subject to special mandatory redemption prior to maturity, as a whole, at the Redemption Price of 100% of the principal amount thereof, plus accrued interest to the date of redemption, following receipt by the Trustee of written notice from the Bank that an event of default under the Reimbursement Agreement has occurred and is continuing as a result of which the Bank may, pursuant to the Reimbursement Agreement, direct the Trustee to redeem all Series 2009 Bonds then Outstanding and provide a written direction that the Series 2009 Bonds are to be redeemed, which direction has not been rescinded by the Bank prior to the date notice of redemption is given. The redemption date shall be a date selected by the Authority, which date shall be not more than 12 days subsequent to receipt by the Trustee of such notice and in no event later than the Business Day preceding the termination date of the Credit Facility. See “PART 2 - SOURCES OF PAYMENT OF AND SECURITY FOR THE SERIES 2009 BONDS – Payment of the Series 2009 Bonds -*The Letter of Credit.*”

The Series 2009 Bonds are also subject to special mandatory redemption prior to maturity, as a whole, at the Redemption Price of one hundred percent (100%) of the principal amount thereof, plus accrued interest to the date of redemption following receipt by the Trustee of written notice from the Credit Facility Provider which issued the Credit Facility if the Credit Facility does not provide for automatic reinstatement, that a failure within the reinstatement period has occurred, as referred to in the Credit Facility with respect to a Series of Bonds, and a reinstatement of the Credit Facility to an amount which would cause the Credit Facility to satisfy the requirements set forth in the Resolution and the applicable Series Resolution will not be obtained and a direction that such Bonds are to be redeemed, which direction has not been rescinded by such Credit Facility Provider prior to the date notice of redemption is given. The redemption date shall be a date selected by the Authority, which date shall be not more than 12 days subsequent to receipt by the Trustee of such notice and in no event more than twenty (20) days after the last Interest Payment Date preceding such notice.

Selection of Series 2009 Bonds to be Redeemed

In the case of Series 2009 Bonds to be redeemed at the election or direction of the Authority, the Authority will select the maturity or maturities and principal amounts of the Series 2009 Bonds to be redeemed. If less than all of the Series 2009 Bonds Outstanding of any particular maturity shall be called for redemption, the Series 2009 Bonds to be so redeemed shall be selected by the Trustee, by lot, using such method as the Trustee shall deem proper in its discretion, as provided in the Resolution.

Notice of Redemption

The Trustee is to give notice of the redemption of the Series 2009 Bonds in the name of the Authority by mailing a notice of redemption, by first class mail, postage prepaid to the registered owners of Series 2009 Bonds which are to be redeemed, at their last known addresses, if any, appearing on the registration books of the Authority, not more than 10 Business Days prior to the date such notice is given and to the Bank, in each case, at least 30 days but not more than 45 days prior to the redemption date, except that in the case of redemption of the Series 2009 Bonds as described in the second or third paragraph under “Special Mandatory Redemption,” such notice shall be given as soon as practicable. Any notice of redemption described under “Optional Redemption” may state that the redemption is conditioned upon the receipt by the Trustee, on or prior to the redemption date, of moneys sufficient to pay the redemption price of such Series 2009 Bonds to be redeemed, and that if such moneys are not so received, such notice shall be of no force and effect and said Series 2009 Bonds shall not be required to be redeemed. The failure of any such registered owner to receive such notice will not affect the validity of the proceedings for the redemption of the Series 2009 Bonds.

If on the redemption date Available Moneys for the redemption of all Series 2009 Bonds or portions thereof of any like maturity to be redeemed, together with interest accrued and unpaid thereon to the redemption date, are held by the Trustee so as to be available for payment of the Redemption Price, then

interest on the Series 2009 Bonds or portions thereof so called for redemption will cease to accrue from and after the redemption date and such Series 2009 Bonds will no longer be considered to be Outstanding under the Resolution.

For a more complete description of the redemption and other provisions relating to the Series 2009 Bonds, see “Appendix D - Summary of Certain Provisions of the Resolutions.”

Book-Entry Only System

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2009 Bonds. The Series 2009 Bonds will be issued as fully-registered securities in the name of Cede & Co. (DTC’s partnership nominee), or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2009 Bond certificate will be issued for each maturity of the Series 2009 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 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, thereby eliminating 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”, and together with Direct Participants, “Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission.

Purchases of the Series 2009 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2009 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2009 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 2009 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 the Series 2009 Bonds, except in the event that use of the book-entry system for such Series 2009 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2009 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 the Series 2009 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2009 Bonds; DTC’s records reflect only

the identity of the Direct Participants to whose accounts such Series 2009 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 2009 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2009 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2009 Bond documents. For example, Beneficial Owners of the Series 2009 Bonds may wish to ascertain that the nominee holding the Series 2009 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 notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2009 Bonds of a Sub-Series and a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2009 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2009 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2009 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 Authority or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Underwriter, the Trustee, the Institution or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority 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 securities depository with respect to the Series 2009 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, the Series 2009 Bond certificates are required to be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority, the Institution and the Underwriter believe to be reliable, but the Authority, the Institution and the Underwriter do not take responsibility for the accuracy thereof.

Each person for whom a Participant acquires an interest in the Series 2009 Bonds, as nominee, may desire to make arrangements with such Participant to receive a credit balance in the records of such Participant, and may desire to make arrangements with such Participant to have all notices of redemption or other communications to DTC, which may affect such persons, to be forwarded in writing by such Participant and to have notification made of all interest payments. NONE OF THE AUTHORITY, THE INSTITUTION, THE

BANK, THE UNDERWRITER OR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE SERIES 2009 BONDS.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they shall be sent by the Trustee to DTC only.

For every transfer and exchange of Series 2009 Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

Unless otherwise noted, certain of the information contained in the preceding paragraphs of this subsection "Book-Entry Only System" has been extracted from information given by DTC. Neither the Authority, the Trustee, the Bank nor the Underwriter make any representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof:

NEITHER THE AUTHORITY, THE BANK NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO SUCH DTC PARTICIPANTS, INDIRECT PARTICIPANTS, OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR SUCH DTC PARTICIPANTS, INDIRECT PARTICIPANTS, OR THE BENEFICIAL OWNERS. PAYMENTS MADE TO DTC OR ITS NOMINEE SHALL SATISFY THE AUTHORITY'S OBLIGATION UNDER THE ACT AND THE RESOLUTION TO THE EXTENT OF SUCH PAYMENTS.

So long as Cede & Co. is the registered owner of the Series 2009 Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the Series 2009 Bonds (other than under the caption "PART 12 - TAX MATTERS" herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 2009 Bonds.

Principal, Sinking Fund Installments and Interest Requirements for the Series 2009 Bonds

The following table sets forth the amounts required to be paid by the Institution during the periods ending February 15 and August 15 of the years shown for the payment of (i) the principal and Sinking Fund Installments of the Series 2009 Bonds, (ii) the interest on the Series 2009 Bonds, (iii) the total debt service of the Series 2009 Bonds, (iv) the total debt service for the Series 2006 Bonds, and (v) the total debt service for the Series 2006 Bonds and the Series 2009 Bonds.

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Series 2009 Bonds

Period Ending	Principal and Sinking Fund Installments	Interest Payments	Total Debt Service	Total Debt Service on the Series 2006 Bonds	Total Debt Service*
2/15/2009	–	–	–	\$6,291,793.75	\$6,291,793.75
8/15/2009	–	\$1,026,897.99	\$1,026,897.99	7,647,043.75	8,673,941.74
2/15/2010	–	1,093,737.50	1,093,737.50	7,646,284.38	8,740,021.88
8/15/2010	–	1,093,737.50	1,093,737.50	7,643,621.88	8,737,359.38
2/15/2011	\$315,000.00	1,093,737.50	1,408,737.50	7,645,278.13	9,054,015.63
8/15/2011	325,000.00	1,087,437.50	1,412,437.50	7,644,778.13	9,057,215.63
2/15/2012	330,000.00	1,080,937.50	1,410,937.50	7,648,200.00	9,059,137.50
8/15/2012	335,000.00	1,074,337.50	1,409,337.50	7,645,200.00	9,054,537.50
2/15/2013	345,000.00	1,067,637.50	1,412,637.50	7,644,700.00	9,057,337.50
8/15/2013	355,000.00	1,060,737.50	1,415,737.50	7,646,600.00	9,062,337.50
2/15/2014	360,000.00	1,053,637.50	1,413,637.50	7,645,800.00	9,059,437.50
8/15/2014	375,000.00	1,046,437.50	1,421,437.50	7,647,300.00	9,068,737.50
2/15/2015	380,000.00	1,038,937.50	1,418,937.50	7,646,000.00	9,064,937.50
8/15/2015	395,000.00	1,031,337.50	1,426,337.50	7,646,900.00	9,073,237.50
2/15/2016	400,000.00	1,023,437.50	1,423,437.50	7,644,900.00	9,068,337.50
8/15/2016	420,000.00	1,015,187.50	1,435,187.50	–	1,435,187.50
2/15/2017	425,000.00	1,006,262.50	1,431,262.50	–	1,431,262.50
8/15/2017	445,000.00	996,965.63	1,441,965.63	–	1,441,965.63
2/15/2018	455,000.00	986,953.13	1,441,953.13	–	1,441,953.13
8/15/2018	470,000.00	975,578.13	1,445,578.13	–	1,445,578.13
2/15/2019	485,000.00	963,828.13	1,448,828.13	–	1,448,828.13
8/15/2019	500,000.00	951,400.00	1,451,400.00	–	1,451,400.00
2/15/2020	515,000.00	935,775.00	1,450,775.00	–	1,450,775.00
8/15/2020	535,000.00	919,681.25	1,454,681.25	–	1,454,681.25
2/15/2021	555,000.00	902,962.50	1,457,962.50	–	1,457,962.50
8/15/2021	575,000.00	885,618.75	1,460,618.75	–	1,460,618.75
2/15/2022	595,000.00	867,650.00	1,462,650.00	–	1,462,650.00
8/15/2022	620,000.00	849,056.25	1,469,056.25	–	1,469,056.25
2/15/2023	645,000.00	829,681.25	1,474,681.25	–	1,474,681.25
8/15/2023	665,000.00	808,718.75	1,473,718.75	–	1,473,718.75
2/15/2024	690,000.00	787,106.25	1,477,106.25	–	1,477,106.25
8/15/2024	720,000.00	764,681.25	1,484,681.25	–	1,484,681.25
2/15/2025	745,000.00	741,281.25	1,486,281.25	–	1,486,281.25
8/15/2025	770,000.00	717,068.75	1,487,068.75	–	1,487,068.75
2/15/2026	800,000.00	692,043.75	1,492,043.75	–	1,492,043.75
8/15/2026	830,000.00	666,043.75	1,496,043.75	–	1,496,043.75
2/15/2027	865,000.00	639,068.75	1,504,068.75	–	1,504,068.75
8/15/2027	895,000.00	610,956.25	1,505,956.25	–	1,505,956.25
2/15/2028	930,000.00	581,868.75	1,511,868.75	–	1,511,868.75
8/15/2028	960,000.00	551,643.75	1,511,643.75	–	1,511,643.75
2/15/2029	1,000,000.00	520,443.75	1,520,443.75	–	1,520,443.75
8/15/2029	1,035,000.00	487,943.75	1,522,943.75	–	1,522,943.75
2/15/2030	1,075,000.00	454,306.25	1,529,306.25	–	1,529,306.25
8/15/2030	1,120,000.00	419,368.75	1,539,368.75	–	1,539,368.75
2/15/2031	1,165,000.00	382,968.75	1,547,968.75	–	1,547,968.75
8/15/2031	1,195,000.00	346,562.50	1,541,562.50	–	1,541,562.50
2/15/2032	1,245,000.00	309,218.75	1,554,218.75	–	1,554,218.75
8/15/2032	1,295,000.00	270,312.50	1,565,312.50	–	1,565,312.50
2/15/2033	1,340,000.00	229,843.75	1,569,843.75	–	1,569,843.75
8/15/2033	1,390,000.00	187,968.75	1,577,968.75	–	1,577,968.75
2/15/2034	1,445,000.00	144,531.25	1,589,531.25	–	1,589,531.25
8/15/2034	1,495,000.00	99,375.00	1,594,375.00	–	1,594,375.00
2/15/2035	1,685,000.00	52,656.25	1,737,656.25	–	1,737,656.25

* For other capital indebtedness obligations of the Institution, see notes 8 and 9 to the Financial Statements of the Institution, set forth in Appendix B hereto.

PART 4 - THE BANK

TD Bank, N.A. (the "Bank") is a national banking association organized under the laws of the United States, with its main office located in Wilmington, Delaware. The Bank is an indirect, wholly-owned subsidiary of The Toronto-Dominion Bank ("TD") and, operating under the brand names TD Banknorth and TD Bank, offers a full range of banking services and products to individuals, businesses and governments throughout its market areas, including commercial, consumer, trust, investment advisory and insurance agency services. The Bank operates banking offices in Connecticut, Delaware, the District of Columbia, Florida, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Vermont and Virginia. As of September 30, 2008, the Bank had consolidated assets of \$98.6 billion, consolidated deposits of \$75 billion and stockholder's equity of \$18.2 billion, based on regulatory accounting principles.

Additional information regarding TD is available from filings made by TD with the U.S. Securities and Exchange Commission (the "SEC"), which filings can be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates. In addition, the SEC maintains a website at <http://www.sec.gov>, which contains reports, proxy statements and other information regarding registrants that file such information electronically with the SEC.

The information concerning TD and the Bank contained herein is furnished solely to provide limited introductory information and does not purport to be comprehensive. Such information is qualified in its entirety by the detailed information appearing in the documents and financial statements referenced herein.

The Letter of Credit is the obligation of the Bank and not TD.

The Bank will provide copies of the publicly available portions of the most recent quarterly Call Report of the Bank delivered to the Comptroller of the Currency, without charge, to each person to whom this document is delivered, on the written request of such person. Written requests should be directed to:

TD Bank, N.A.
P.O. Box 9540
Portland, ME 04112-9540
Attn: Corporate Communications
Mail Stop: ME 089-71

Information regarding the financial condition and results of operations of the Bank will be contained in the quarterly Call Reports of the Bank delivered to the Comptroller of the Currency and available online at <https://cdr.ffiec.gov/public>. General information regarding the Bank may be found in periodic filings made by TD with the SEC. TD is a foreign issuer that is permitted, under a multijurisdictional disclosure system adopted by the United States, to prepare certain filings with the SEC in accordance with the disclosure requirements of Canada, its home country. Canadian disclosure requirements are different from those of the United States. TD's financial statements are prepared in accordance with Canadian generally accepted accounting principles, and may be subject to Canadian auditing and auditor independence standards, and thus may not be comparable to financial statements of United States companies prepared in accordance with United States generally accepted accounting principles.

The delivery hereof shall not create any implication that there has been no change in the affairs of TD or the Bank since the date hereof, or that the information contained or referred to in this Part 4 is correct as of any time subsequent to its date.

NEITHER TD NOR ANY OTHER SUBSIDIARY OF TD OTHER THAN THE BANK IS OBLIGATED TO MAKE PAYMENTS UNDER THE LETTER OF CREDIT.

The Bank is responsible only for the information contained in this section of this Official Statement and did not participate in the preparation of, or in any way verify the information contained in, any other part of this Official Statement. Accordingly, the Bank assumes no responsibility for and makes no representation or warranty as to the accuracy or completeness of information contained in any other part of this Official Statement.

PART 5 - THE BRONX-LEBANON HOSPITAL CENTER

Certain statements in this Part 5 and elsewhere in this Official Statement that relate to the Institution are forward-looking statements that are based on the beliefs of, and assumptions made by, the management of the Institution. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results or performance of the Institution to be materially different from any expected future results or performance. Such factors include but are not limited to, items discussed in Part 8 - "GENERAL FACTORS AFFECTING THE INSTITUTION REVENUES."

Introduction

The Institution is a voluntary, not-for-profit healthcare institution serving the South and Central Bronx. It is a 628-bed (including 49 bassinets) inner city, not-for-profit teaching hospital comprised of two major hospital divisions, Fulton and Concourse. It provides medical, surgical, obstetric/gynecology, pediatric, psychiatric inpatient acute care services as well as emergency care and outpatient ambulatory care services to residents of the Bronx. The Institution is an affiliate and primary teaching hospital of Yeshiva University's graduate school, the Albert Einstein College of Medicine with 14 fully accredited residency and fellowship programs. The Institution is fully accredited by The Joint Commission.

History

The Institution and its antecedents have provided quality medical services to the community for more than 100 years. The Lebanon Hospital, incorporated in 1890, and the Bronx Hospital, incorporated in 1909, merged in 1962 to become what ultimately became the Institution. In 1971, the Institution became the affiliated primary teaching hospital of Yeshiva University's graduate school, the Albert Einstein College of Medicine. In 1987, the Institution commenced its "New Directions" Project resulting in an approximately \$214 million modernization project and replacement of an aging physical plant with modernized facilities, as well as the creation of a specialized and innovative nursing facility. In addition to New Directions, numerous other major initiatives were launched by the Institution including education, housing, nutrition, and medical outreach programs which further aid in serving the needs of the community.

The Institution is distinguished by the service area in which it is located, South and Central Bronx, an inner city area with a high proportion of minorities, indigent population, medically underserved and high-need population groups. The South and Central Bronx is considered one of the poorest areas in the nation with a disproportionately high incidence of serious diseases and conditions. A combination of low-income levels, significant unemployment, and inadequate access to medical care are linked to high disease incidence rates. The Institution's commitment to quality health care and its record in responding to the needs of its service area population are some of the reasons for the Institution's good reputation in the community.

Services and Programs

The Institution's certified beds are allocated among the following services at each of the Institution's two major Divisions:

<u>Clinical Services</u>	<u>Concourse</u>	<u>Fulton</u>	<u>Total</u>
Medical/Surgical	250	--	250
Maternity	36	--	36
Intensive Care Unit	26	--	26
Pediatrics	25	--	25
AIDS Unit	22	--	22
Neonatal Intermittent	20	--	20
Neonatal Intensive	14	--	14
Coronary Care Unit	11	--	11
Neonatal Continuous	6	--	6
Pediatric Intensive Care Unit	5	--	5
Drug Detoxification	--	22	22
Alcohol Detoxification	--	14	14
Psychiatric	--	98	98
Alcohol Rehabilitation	--	<u>30</u>	<u>30</u>
Total Adult	415	164	579
Nursery ⁽¹⁾	<u>49</u>	<u>--</u>	<u>49</u>
Total Hospital	<u>464</u>	<u>164</u>	<u>628</u>

(1) Nursery beds are not included on Operating Certificate
Source: Institution Operating Certificate

The Institution currently operates numerous primary care sites in the community, with plans underway for additional sites. Other affiliations exist with independent Diagnostic and Treatment Centers and mental health/substance abuse programs. The community-based Primary Care Network includes hospital-based and community based providers of primary and specialty care.

Specialized Programs and Services

The Institution's commitment to the community is demonstrated by its full spectrum of inpatient, specialty, outpatient and community-based programs and services. Ambulatory care outpatient services are organized as a network of hospital and community based primary health care units to insure continuity of care and provide access to a wide range of specialty services. Ambulatory services include pediatrics, general medicine, obstetrics/gynecology, family practice and dentistry, as well as many subspecialty services such as cardiology, neurology, orthopedics, ophthalmology, podiatry and urology. The Institution offers various inpatient mental health programs as well as numerous outpatient programs.

Other specialized services and programs of the Institution are:

Cardiology. The Department of Cardiology has taken a leadership role in addressing heart disease and reducing the risk of heart attacks. The Department is focusing its efforts on prevention and community outreach, as well as continuing its inpatient role in responding to heart disease patients. Diagnostic services, such as cardiac catheterization, echocardiology, nuclear cardiology, peripheral vascular consultations, and anticoagulation evaluation, among numerous other programs, are available to patients.

The invasive and non-invasive laboratories are an important component of Cardiology. The cardiac catheterization laboratory was renovated in 2004 and approximately 600 catheterizations are performed annually. The echocardiography lab provides between approximately 6,700 – 7,600 studies per year. The nuclear cardiology stress lab performs approximately 1,700 studies per year. A cardiac rehabilitation program has also been put into place. An essential component of the Department of Cardiology is the Coronary Intensive Care Unit. As a center for research, the Cardiology Department has also been involved in studying heart related problems of inner city communities. The Department is actively involved in medical education and clinical trials, as well as community education.

Child Study Center. The Institution has continued to expand and develop its unique Child Study Center, by bringing together in one facility both Pediatric Neurology and child/adolescent mental health services. The Child Study Center provides a full range of individualized and integrated treatments, including behavioral health, neurologic and learning evaluations, and family-centered care. When more specialized care is needed, patients and their families can be referred to the Institution's pediatric health and specialty programs as well as to crisis, inpatient, and partial hospital mental health services. The Child Study Center staff includes teams of psychiatrists, pediatricians, pediatric neurologists, psychologists, social workers, nurses, activity and creative arts therapists, and educators. The Child Study Center facility has been modernized, including a new entrance with street level access, as well as improved activities, counseling, treatment, and visitor waiting areas.

Ear, Nose, and Throat ("ENT"). The ENT staff offers a wide range of ENT services including the treatment of head and neck cancer, diseases of the thyroid and parathyroid, and general ear, nose and throat services. From registration to examination to departures, it is the mission of the ENT Department to provide comprehensive and compassionate care. An important part of the ENT Department's overall efforts is expanding the services offered by the Audiology and Speech Language Pathology Division. This Division, along with its current and comprehensive hearing and swallowing testing, is offering balance testing (video – electronystagmography) and camera assisted evaluation of swallowing. The services are especially responsive to those patients with balance problems and feeding difficulties.

Realizing that undetected hearing problems can affect a child's potential for success, ENT conducts follow-up screenings for every newborn delivered at the Institution. These tests are designed to detect hearing loss in the earliest stages of speech and language development. ENT has incorporated the latest technological advances, such as a specialized audiology area with computerized testing for adults and children and has expanded space, with more examination rooms and an enhanced speech therapy area. Speech pathologists have also been added to the ENT team. Their specialty emphasis on swallowing related problems has been joined with efforts with the Institution's Department of Neurology to treat stroke-related difficulties. Surgeons are performing tonsillectomies, adenoidectomies, sinus surgeries, and myringotomies (ear surgeries), among many other procedures.

The Department of Medicine's physicians provide the medical staffing and leadership for many of the Institution's primary practices as well as specialty programs, including those in Renal Dialysis, Endocrinology and Dermatology. In Dermatology, new services such as photo and laser therapy were recently introduced.

Emergency Medicine. The Emergency Services department is committed to providing emergency health care in response to the growing needs of the community. In 2007, the emergency room responded to 107,623 visits, of which 21,453 resulted in inpatient admissions. The emergency room includes trauma, treatment and isolation rooms, a separate fully equipped pediatric emergency room, new fast-track and asthma areas for children and adults, expanded nursing stations, registration/visitor waiting areas, and new ambulance and walk-in entrances. The emergency room is fully computerized which is an important benefit in monitoring and tracking patients through the Institution's health care system. The emergency room follow-up office is a valuable community resource which serves as a liaison between the Emergency Department patients, the BronxCare network, physicians and specialty services. BronxCare Network, managed by the Institution, is a network of outpatient healthcare providers in the Bronx community. It allows a prospective patient needing healthcare services to call a central hotline and speak to an operator who can recommend services at an appropriate outpatient site. In 2007, the BronxCare Network received approximately 950,000 visits.

Family Medicine. For twenty years, the Department of Family Medicine has been providing care that treats each patient as "whole person" and as an integral part of the family and community. Primary care practices throughout the community are operated by the Department as part of the BronxCare Network. Patients requiring hospitalization are admitted to the Department's inpatient unit, where the Family Medicine team continues their care. Pregnant women that receive prenatal care in Family Medicine facilities often have their babies delivered at the Institution's modern maternity unit by their own family physicians.

Recently, the Department has put into place a palliative medicine consultation service, allowing chronically or terminally ill patients and their families to have access to a full array of support services, including medical consultation, nursing, social work, family counseling and pastoral care. The Institution's Family Medicine Residency Program graduates approximately 10 new family physicians each year at the conclusion of an intensive three-year experience.

Infectious Diseases Prevention and Treatment. The Institution's inpatient program and new Center for Comprehensive Care have further reinforced the Institution's position as a leader in the treatment and prevention of infectious diseases, including human immunodeficiency virus ("HIV")/acquired immune deficiency syndrome ("AIDS"). The Institution has been caring for patients with HIV/AIDS since the early stages of the epidemic. Currently, care is provided in both ambulatory and inpatient settings. Comprehensive mental health programs, treatment adherence and education programs are just a few of the numerous interventions available to patients. Additionally, a mobile van delivers HIV primary care services, social work and case management, drug treatment and referral, and education to HIV infected individuals throughout the community, including those who live in difficult to reach areas such as family shelters and single room occupancy hotels. During the past three years, grant funding has allowed the AIDS Program to expand the availability of HIV counseling and testing in the Institution, in its ambulatory facilities, and throughout the community. As a result, an individual can now receive their HIV test results within twenty minutes. If a person is diagnosed as HIV positive, the necessary linkages to the Institution's comprehensive HIV primary care and related programs become a critical component in the caring process.

The Infectious Diseases Division team is also actively involved in prevention and treatment of numerous emerging and long-known infectious diseases, such as West Nile Virus, multi-drug resistant bacteria, influenza and tuberculosis.

Internal Medicine. The Department of Internal Medicine is the largest medical department at the Institution. The Department consists of 15 major divisions: cardiology, dermatology, endocrinology, epidemiology, gastroenterology, general medicine, hepatology, infectious diseases/AIDS, nephrology, neurology, oncology, physical medicine/rehabilitation, pulmonary, rheumatology and geriatrics.

Asthma, diabetes, and hypertension are among the diseases that are having a major impact on the Bronx community. The Division of Pulmonary Medicine is actively involved in the treatment and management of asthma. Educational initiatives are an important part of an overall effort to teach patients and community residents how to address an asthmatic condition and prevent crisis situations. The Division of General Medicine alerts community residents to the seriousness of diabetes and hypertension, and encourages them to recognize symptoms, seek help, and improve their quality of life. Education and treatment are provided by a multi-disciplinary team. The Institution also maintains a diabetes registry. The registry has been operational since May 2005 and identifies and tracks persons with diabetes. Over 400 diabetics have enrolled to date.

Another important focus of the Department of Medicine has been the treatment of cancer and improving the survival rate for cancer patients through staff intervention, extended number of screening programs, and special diagnostic and treatment services.

The Division of Neurology is providing expert care and is a New York State Department of Health designated stroke center. The Institution's neurologists are also treating multiple sclerosis through an affiliation with the New York City Chapter of the National Multiple Sclerosis Society.

The Division of Gastroenterology and Hepatology provides a full range of accessible and quality medical services that address stomach, intestinal and liver disorders. Its renovated endoscopy suite provides improved accuracy in diagnosing colon cancer. The Division has also launched an important hepatitis C initiative through specialized disease management programs.

In addition to other services offered, the Department of Medicine has significantly expanded its efforts in the community. Its physicians provide the medical staffing and leadership for many BronxCare Network primary practices, as well as specialty programs, including those in rheumatology and dermatology.

Mental Health. The Department of Psychiatry provides a full-range of mental health services for children and adults to address traditional mental health problems and addictions. Outpatient and day programs, inpatient hospitalization, when necessary, and psychiatric emergency service are also integral parts of the Department's efforts to respond to the major mental health needs of the South and Central Bronx community. Recently, the Department expanded its psychiatric emergency program into newly renovated space. The psychiatry team has also extended its outreach and consultation efforts to local schools.

The Department's expanded case management program actively supports patients with persistent mental illness to live successfully in the community. The support program follows patients closely, while helping them keep needed appointments and remain on medications. The program has more than 400 clients and complements other innovative efforts to support recovery from mental illness, such as the life enrichment program, a continuing day treatment program, and the day Institution MICA (Mentally Ill, Chemically Addicted) day program all of which work collectively to assist over 180 clients daily. Currently, the Institution's in-patient psychiatric bed census is at capacity. Future plans include increasing the size of the acute in-patient mental health service to address this major need. The Institution's participation in Project Liberty assists persons still suffering from the impact of September 11, 2001.

In 2005, a new child and adolescent behavioral health pavilion was dedicated and provides a comprehensive range of outpatient treatment, education, and counseling services to children, adolescents and their families.

Men's Health. The Department of Urology provides comprehensive medical care for a wide range of health issues facing men, including prostate and testicular cancer, erectile dysfunction, mid-life crisis, incontinence, and sexually transmitted diseases. The Institution's progress in addressing the high incidence of prostate cancer in the community is especially significant. Prostate cancer is most prevalent in inner city communities. The Institution provides free prostate cancer screenings for the community. The program reaches hundreds of participants and helps detect this type of cancer at an early and treatable stage. The Urology Department offers a wide-range of treatment modalities for prostate cancer patients by offering cryosurgery. Minimally invasive to radical surgery, as well as intermodulated radiotherapy, are also employed. For those patients that do not respond to radiation therapy, the Department uses cryosurgery. Another important initiative targets infertility. The Department has implemented special diagnostic, evaluation, and treatment procedures, as well as comprehensive educational programs. An electro-shockwave lithotripsy unit is utilized for the treatment of kidney stones.

In addition to meeting the urological needs of men, the Department provides treatment to women, including those experiencing urinary incontinence, which occurs in a third of women over age 60. An Incontinence Center offers non-invasive medical treatment for this problem.

Neonatology. The Neonatal Intensive Care Unit survival rate (99%) is among the highest in the nation. Notwithstanding that the number of low birth weight babies born in the area is more than one and a half times the national average. Approximately 60% of the babies born in the South and Central Bronx are at a high-risk for developing complications. Currently, there are 40 beds in the Neonatal Intensive Care Unit which cares for approximately 550 newborns annually.

Nephrology/Dialysis. Hypertension and diabetes are prevalent diseases of inner city communities, such as the South and Central Bronx. These medical problems are also a common cause of end stage renal disease. As a result of the significant increase of renal disease in the Bronx community, the number of patients regularly requiring dialysis or related therapies has increased. The Institution's nephrology team provides specialized dialysis treatment and assistance to inpatients and outpatients. Full time dieticians, social workers,

and fully qualified dialysis nurses, working with board certified nephrologists, offer ongoing education and dialysis care.

The Nephrology Department's outpatient program was recently relocated into new and expanded facilities. As a direct result of this expansion, all outpatient nephrology services are provided by Concourse Replacement, LLC. The Nephrology Department also provides outpatient consultation services to the BronxCare Adult Medical Practice at the Concourse Division. Daily in-patient care includes supervision and treatment of patients diagnosed as having acute and chronic renal disease. The Institution has four dialysis stations reserved exclusively for inpatients requiring scheduled and emergency dialysis, seven-days a week.

Ophthalmology. The Ophthalmology Department continues to expand the availability and quality of its eye care services. Nearly 17,000 patients are expected to be treated this year and volume is projected to increase. Services by the Department provide access to the latest diagnostic and therapeutic equipment, with seven examination rooms, separate waiting areas and an operating room for minor procedures. Ophthalmologists perform a wide range of procedures, including no-stitch cataract implants, eye plastic surgeries and corneal transplants. In addition, the new approaches for treating glaucoma, retinal and other eye diseases are available.

The Ophthalmology Department is specially focused on the treatment of glaucoma, a major contributor to blindness among adults which can also affect children. An anterior segment ultra sound, the most advanced equipment available for diagnosing narrow angle glaucoma (common in far-sighted patients) and iris tumors is utilized to detect these diseases. A GD nerve fiber layer analyzer and an ocular coherence tomography is also available and provide an adjunct to visual field testing as the standard procedure for early glaucoma detection. A diode laser, a portable device used for treating retinopathy in infants born prematurely, allows surgeons to operate on an infant in the bassinet, rather than in an operating room. This innovation significantly enhances safety and produces better post-operative results. Diabetic retinopathy is treated using a digital imaging system.

Orthopedics. The Orthopedics Department has significantly expanded the scope of its clinical and surgical services. Among the Department's specialties are total hip and knee orthoplasty, joint reconstruction surgery, reconstructive hand, foot and ankle surgery, sports medicine, and arthroscopy, trauma, and spinal surgery, as well as the non-operative management of arthritis, disc disease, shoulder, foot, and back pain. Patients receive high quality care, through the use of advanced surgical procedures and medical treatments, including new bone growth and healing techniques. As the Orthopedics Department continues to expand, the orthopedics team is directing its efforts towards education especially with the elderly. Media campaigns are also targeted to the prevention of sports and other musculoskeletal injuries.

Pediatrics. The Department of Pediatrics has taken on a pivotal role in addressing the medical and behavioral problems in children. The scope of services has expanded with greater emphasis on cardiology, pulmonary, allergy and genetics programs. The pediatric emergency room responds to over 40,000 visits per year. The high incidence of asthma and diabetes in the Bronx communities served by the Institution has led the Department to develop programs to respond to these diseases and the crisis they present. In 2007, the Patient Choice Network rated the Institution as the #1 provider for asthma care in comparison to hospitals within a 20-mile radius of the Bronx. Education is also crucial for the treatment of diabetes. Sugar Babes Place, a unique juvenile diabetes club, continues its tradition of supporting and educating diabetic children and their families. As a result, admissions rates for diabetes among children has decreased.

Psychiatry. The Institution's Department of Psychiatry offers a comprehensive approach to mental health. The Department accounts for more than 240,000 visits annually. Currently, the Institution's inpatient psychiatric bed census is at capacity. It includes a separate child and adolescent unit, the only one in the Bronx. A new adult inpatient area features an intensive behavioral care unit that allows for the focused treatment of high risk patients by specially trained staff. The Department's comprehensive psychiatric

emergency program also is providing increased opportunities to address, stabilize, and potentially resolve family and crisis situations, a key factor in the treatment of mental health problems.

During 2007, the José E. Serrano Child and Adolescent Behavioral Mental Health Pavilion opened the Adolescent Partial Hospital Program, which allows adolescents to receive intensive mental health evaluations and treatments. A major benefit is that these patients can continue to reside with their families at home. In addition, its Division of Child and Adolescent Psychiatry is providing school based services as well as outreach to prevention agencies throughout the Bronx.

Radiology. The Department of Radiology has kept pace with technological advances. The Department's team utilizes diagnostic equipment, including a new 64-slice "light speed" CT scanner that allows non-invasive imaging of body organs, such as the heart.

The Department of Radiology has acquired direct diagnostic x-ray equipment which offers increased accuracy, as well as decreased radiation, and is especially beneficial to the pediatric population. Conversion to a dictation system with speech recognition capabilities has also provided immediate access by referring physicians for images and reports. Recently, the Department put into place a radiology information system/picture archiving communication system to electronically integrate its computer and tracking networks.

The Radiology Department has become totally "film-less." The use of computer workstations to view "film-less" diagnostic studies represents a major breakthrough. Several clinicians can now view and study radiological images of a patient at the Institution, or any of its ambulatory sites, thereby enhancing quality and continuity of medical care.

In 2005, the Institution acquired a new "Light Speed VCT" scanner which provides 3-D images. The increased diagnostic speed of the Light Speed VCT scanner enables a larger amount of data to be collected and facilitates the processing, treatment and diagnosis of patients.

Surgery/Operating Room/Anesthesiology. The Institution's surgical team performs all types of procedures, including general, laparoscopic, vascular, thoracic, plastic, pediatric, and urologic as well as responding to lifesaving emergency situations. Operating room facilities, use of sophisticated technology, and advanced surgical techniques are an integral part of the Department's efforts. Specialized services include:

- Minimally invasive gastrointestinal and thoracic surgery
- Vascular lab for diagnosis
- Surgery on small blood vessels for vascular occlusive disease using magnification
- Pediatric surgery for congenital malformations using sophisticated technology
- Advanced surgical techniques for prostate cancer and incontinence
- Reconstructive surgery to repair injury and correct deformity

Women's Health. The Women's Health Center offers one-stop access to a wide range of medical services. The Center is dedicated to addressing all the medical needs of women from teenagers to seniors, and is staffed by an obstetric and gynecology team. The Center has grown from 6,000 inpatient visits in 1997 to the current level of approximately 61,000 visits. The Institution's "Birthing Spa" is complete with modern delivery baths and new maternity areas. A 24-hour pregnancy hotline was initiated which provides immediate consultation. Pregnant mothers with AIDS and other problems also have access to an innovative program entitled, BxCAPC (Bronx Community Action for Prenatal Care Initiative) aimed at improving their overall health.

Other services provided by the Women's Health Center include:

- Advanced Maternal-Fetal Assessment Center
- Urogynecology unit for incontinence

- Post-menopausal unit
- Infertility clinic
- Family Planning program
- Pregnancy programs for patients with AIDS and diabetes

In February 2005, the Institution’s new gynecology ambulatory surgery suite opened. Located in the Concourse Division, this suite is providing a wide range of gynecological services and procedures in a modern facility, with modern equipment.

The Institution has responded to the high incidence of drug abuse in its community by initiating educational efforts in the schools, local churches and community/civic organizations. The Institution has also joined forces with the New York City Board of Education to bring health care services and educational opportunities directly into the local schools. Other community programs sponsored by the Institution include: a mobile health unit, physician referral service, healthbeat television program, special community conferences, housing, senior citizens network, diabetes outreach and a pediatric asthma center.

Facilities

All of the Institution’s medical facilities, administrative offices and maintenance facilities are located at either the Concourse or Fulton Division. The following table sets forth the principal patient care and auxiliary and support buildings owned by the Institution, as well as the location, the size of the building, and the current use for each property.

<u>Building</u>	<u>Location</u>	<u>Gross Sq. Feet</u>	<u>Function</u>
Fulton Pavilion	1276 Fulton Avenue	147,966	Hospital and Ambulatory Care Facility
Laboratory Building	1242 Fulton Avenue	23,280	Methadone Maintenance Treatment and Office Space
Psychiatric Outpatient	1285 Fulton Avenue	20,579	Psychiatric Outpatient Services
Franklin Tower	1265 Franklin Avenue	118,256	Inpatient Psychiatric and Substance Abuse and Ambulatory Services
Concourse Pavilion	1650 Grand Concourse	433,795	Inpatient and Ambulatory Services
Security Building	1300 Fulton Avenue	2,720	Security Offices
Psychiatry Building	1316 Fulton Avenue	3,803	Medicaid Assistance Program
Halfway House	321 E. Tremont Avenue	27,300	Psychiatric/Detoxification and Elderly Services
Doctors Dormitory	1257 Franklin Avenue	27,400	Staff Offices and On Call Rooms
Parking Lot	199 Mt. Eden Parkway	3,803	Staff Parking ¹
Parking Lot	587 East 169th Street	71,139	Staff and Visitors Parking

Source: Institution records

¹ Future location of Ambulatory Care Building

All properties listed above are subject to the Mortgage; the Institution also owns other property not subject to the Mortgage.

On previous occasions, the Department of Buildings of the City of New York (the “Building Department”) issued and later renewed temporary certificates of occupancy (“TCO”) for the structures located at the Institution’s Fulton and Concourse Divisions. The TCO for the Fulton Division has expired and the Institution has applied for a new TCO. The Institution expects to receive a new TCO shortly but is subject to

Building Department approval. A final certificate of occupancy cannot be issued as long as there are open applications for current construction projects on the sites.

Corporate Structure and Governance

The Institution is a New York not-for-profit corporation and is an exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. The primary role and purpose of the Institution is to support, maintain and operate a voluntary, not-for-profit hospital in the County of the Bronx, State of New York.

The bylaws of the Institution provide that the board of trustees (the “Board”) shall consist of not less than nine nor more than 24 elected individuals as determined from time to time by resolution of the Board. The Institution is presently governed by a 17 member Board which has full legal authority and responsibility for the conduct and obligations of the Institution and/or the quality of patient care services rendered. The Board is divided into three classes, each consisting of approximately one-third of the total number of trustees. The term of office of each class is three years and expires in successive years at the time of the annual meeting of the Board or until such successors, as may be required, are elected or appointed and qualified, and assume office, whichever is later. Trustees are elected by a majority vote of the Board.

The following are standing committees of the Board: executive; law and insurance; finance, audit and investment; major capital expenditures; nominating; committee on diversity; and strategic planning. Each standing committee consists of three or more Trustees. The Board may appoint members of the medical staff to become non-voting members on any standing committee. The Board may, at its discretion, appoint members of the medical staff to become non-voting members on any other standing committee. Special committees of the Board may be created from time to time by the Board, but unlike standing committees, special committees may be discharged by the Board upon completion of their assigned tasks.

The members of the Board, their occupation, business affiliation and year of appointment are listed below:

<u>Name</u>	<u>Occupation/Business Affiliation</u>	<u>Year Appointed</u>
Rose Birtley	Retired District Sales Manager; Continental Airlines	1994
John R. Colon	Lecturer: State University of New York at Stony Brook	2007
Rita DiMartino, <i>Chairman of the Board</i>	Retired Vice President; Congressional Records, AT&T	1987
Ricardo Fernandez, Ph.D.	President; Lehman College	1992
Miguel A. Fuentes, Jr. ¹	President & Chief Executive Officer; Institution	--
Andres V. Gil, Esq.	Partner; Davis Polk & Wardell (Attorneys)	1998
Matthew Goldstein, Ph.D.	Chancellor; The City University of New York	1992
Barbara Lowe, RN, MPH	Nursing Executive; Woodhull Medical Center	2000
Magdy Mikhail, M.D. ²	President; Institution Medical Board	--
Joseph Nedlin	Partner; Hemisphere Group (Real Estate Development)	1994
Harvey Newman	Director; Charter School, Center for Educational Innovation	2002
Jesus Rangel	Vice President & Director; Anheuser-Busch International, Inc.	1998
Shirley Rodriguez Remeneski, <i>Vice Chairperson/Assistant Secretary</i>	President; 100 Hispanic Women, Inc.	1994
Eli Seifman, Ph.D.	Director; SUNY Urban Teacher Education –	2004

<u>Name</u>	<u>Occupation/Business Affiliation</u>	<u>Year Appointed</u>
Joseph Semidei	NYC Department of Education Executive Director & Chief Executive Officer; St. Christopher's, Inc.	2002
Antonio Sirvent	Retired Bronx County Regional Director; New York State Division of Human Rights	1998
Minto L. Soares	Retired Vice President, Substation Operations; Consolidated Edison Company of New York	1995
Harvey Stern, M.D. ²	Past President; Institution Medical Board	--
Cristina Toosie, <i>Vice Chairperson/Secretary</i>	Retired Executive Director; Casita Maria, Inc. (Not-for-Profit Settlement House)	1989

¹ Ex-Officio Trustee with a Vote.

² Ex-Officio Non-Voting Trustees.

Conflict of Interest

The Institution has a formal policy requiring any duality of interest or possible conflict of interest to be fully and voluntarily disclosed to the Secretary of the Board. No Trustee shall vote or be counted in determining the quorum for any vote, on any such transaction. In addition to refraining from voting, the Trustee shall not participate in the deliberations nor use his or her personal influence relating to the transaction or any matters relating thereto.

Executive Staff

The senior management of the Institution consists of the President and Chief Executive Officer; Senior Vice President, Operations; Senior Vice President and Chief Financial Officer; Vice President of Administration/Operations; Vice President for Medical Affairs/Medical Director; Vice President, Development and External Affairs; Vice President of Public Relations and Marketing; Vice President of Patient Care Services/Chief Nursing Officer; and Vice President, Managed Care and Business Development.

Miguel A. Fuentes, Jr., *President and Chief Executive Officer* (58). Mr. Fuentes became President and Chief Executive Officer of the Institution in 1987. In this capacity, he exercises full responsibility for the organization, management, operation, planning, marketing and fundraising of the Institution. Mr. Fuentes initially joined the Institution in 1981 as Senior Vice President. Prior to joining the Institution, Mr. Fuentes was Associate Executive Director, Operations, Metropolitan Hospital Center (1979-1981); Associate Director, Ambulatory Care, Greenpoint Hospital (1977-1979); and Assistant Director, Mental Health Pavilion (1974-1977). He received his Bachelors degree in Business Administration from Bernard Baruch College of the City University of New York in 1973 and Master of Public Administration degree from New York University in 1974.

Steven C. Anderman, *Senior Vice President, Operations* (58). Mr. Anderman joined the Institution in 1998 as Chief Operating Officer and was promoted to Senior Vice President, Operations in April 1999. Prior to joining the Institution, Mr. Anderman was Senior Vice President, St. Barnabas Hospital and St. Barnabas Nursing Home (1995-1998); Deputy Director, Division of Health Care Financing, New York State Department of Health (1982-1995); Director, Bureau of Hospital Reimbursement, New York State Department of Health (1978-1982); Director, Bureau of Health Management, New York State Department of Health (1977-1978); and Director, Planning/Methods/Principal Health Planner, New York State Health Planning Commission (1976-1977). Mr. Anderman received his Bachelor of Arts degree in Computer Science and Economics from the State University of New York at Potsdam in 1973, a Master of Science degree in Public Systems Administration from Union College in 1974 and a Master of Business Administration degree in Health Administration from Union College in 1985.

Victor G. DeMarco, C.P.A., *Senior Vice President and Chief Financial Officer* (58). Mr. DeMarco joined the Institution in 1999 in his current position. Mr. DeMarco is responsible for the overall financial management of the Institution. Prior to joining the Institution, Mr. DeMarco was Executive Vice President – Administration and Chief Financial Officer of New York United Hospital Medical Center (1993-1999); Senior Vice President/Finance (1986-1993); Controller (1985-1986), Director of Financial Operations (1982-1985) and Director of Reimbursement (1978-1982) all for The Presbyterian Hospital of the City of New York. Mr. DeMarco received a Bachelor of Science degree in Accounting from Fairleigh Dickinson University in 1972. Mr. DeMarco is a certified public accountant.

Sheldon Ortsman, *Vice President of Administration/Operations* (63). Mr. Ortsman joined the Institution in 1982 as Ambulatory Accounts Manager and was promoted to his current position in 1987. Mr. Ortsman is responsible for support services and human resources at the Institution. Prior to joining the Institution, Mr. Ortsman was Vice President – Finance and Administration of I.M. International, Inc. (1977-1982); Assistant Administrator/Controller, Division of Ambulatory Care of Montefiore Medical Center (1974-1977); Assistant Controller, Division of Ambulatory Care of Montefiore Medical Center (1971-1974); Management Consultant of Universal Economics Co. (1970-1971); Assistant Controller of Interstate Factors Corporation (a division of Chase Manhattan Bank) (1966-1970); and Office Manager of Rosenthal and Rosenthal, Inc. Factors (1962-1966). Mr. Ortsman received a Bachelor of Science degree in Management and Accounting from New York University School of Business Administration in 1973.

Milton A. Gumbs, M.D., *Vice President for Medical Affairs/Medical Director* (69). Dr. Gumbs joined the Institution in 1973 as an attending Surgeon and became Vice President for Medical Affairs/Medical Director in 1989. Dr. Gumbs is responsible for the overall management of the medical staff of the Institution. Prior to joining the Institution, Dr. Gumbs was a Major in the United States Army (1973-1975). Dr. Gumbs received a Bachelor of Arts degree from Washington Square College, New York University in 1961 and his medical degree from Bologna Medical School in 1967. Dr. Gumbs undertook his internship and Residency in General Surgery at the Institution.

Robert Sancho, *Vice President, Development and External Affairs* (64). Mr. Sancho joined the Institution in 1981 in his current position. Mr. Sancho is responsible for development and external affairs of the Institution. Prior to joining the Institution, Mr. Sancho was Associate Executive Director of the Metropolitan Hospital Center (1979-1981); Deputy Superintendent of Community School District #4 (1973-1979); Assistant to the President of the Office of the Bronx Borough President (1971-1973); and a Teacher for the New York City Board of Education (1969-1971). Mr. Sancho received a Bachelor of Arts degree from the Inter-American University of Puerto Rico in 1969 and a Master of Science degree in Urban Affairs from Hunter College in 1977.

Errol C. Schneer, *Vice President of Public Relations and Marketing* (60). Mr. Schneer joined the Institution in 1981 as an Administrator and was promoted to his current position in 1983. Mr. Schneer is responsible for marketing, planning, public relations and development of the Institution. Prior to joining the Institution, Mr. Schneer was Director of Planning and Regulation of the Greater New York Hospital Association (1978-1981) and Resource Planning Director of the Commonwealth of Massachusetts, Department of Public Health (1976-1978). Mr. Schneer received a Bachelor of Arts degree from Syracuse University in 1970 and a Master of Hospital Administration degree from Wagner College in 1972.

Jeanine M. Frumentti, RN, *Vice President of Patient Care Services/Chief Nursing Officer* (48). Ms. Frumentti joined the Institution in 2006, having responsibility for all of Nursing Services within the Institution health care system. Prior to joining the Institution, Ms. Frumentti was Senior Vice President of Nursing at Terence Cardinal Cook Health Care Center (March 2006-December 2006); Vice President of Patient Care Services/Chief Nurse Officer at University of Medicine and Dentistry of New Jersey (“UMDNJ”) (December 2004–March 2006); Adjunct Instructor, UMDNJ, School of Nursing Faculty (2004–2008); Vice President of Nursing and Chief Nurse Officer at Interfaith Medical Center (December 2003–December 2004); Assistant Vice President of David Minkin Rehabilitation Institute (DMRI) at Kingsbrook Jewish Medical

Center (2002–2003); Administrative Director of Rehabilitation, Podiatry and Orthopedics at Maimonides Medical Center (1998–2002); Administrator of DMRI at Kingsbrook Jewish Medical Center (1987–1998); Consultant Commission on Accreditation Rehabilitation Facilities as an Administrative & Program Surveyor (1993–December 2003); and Assistant Head Nurse, Neurosurgical Intensive Care Unit at New York University Medical Center (1984–1987); and Staff Nurse at New York University Medical Center (1981–1984). Ms. Frumenty received her Bachelor of Science degree in Nursing in 1982 and Master in Public Administration in 1986 from New York University. She is a Registered Professional Nurse with both a New York and New Jersey license.

Samuel Shutman, *Vice President, Managed Care & Business Development* (47). Mr. Shutman joined the Institution in January of 2008 and is responsible for managed care contract negotiation, as well as various business development initiatives that are focused on improving communication with community-based physicians. Prior to joining the Institution, Mr. Shutman was Vice President, Managed Care at Saint Vincents Catholic Medical Centers of New York (2006–2007); Associate Executive Director, New York City Health and Hospitals Corporation (Elmhurst Hospital Center and Queens Hospital Center) (2001–2006); and Director of Contracting, Oxford Health Plans (1996–2001). Mr. Shutman received his Bachelor of Arts degree from the University of California, Santa Cruz in 1986 and a Master in Public Administration from the Robert F. Wagner Graduate School of New York University in 1993.

Related Entities

Bronx-Lebanon Hospital Center Housing Corporation

Bronx-Lebanon Hospital Center Housing Corporation (the “Housing Corporation”) is a Limited-Profit Housing Company organized under the provisions of the Limited Profit Companies Law and the Not-for-Profit Corporation Law. The Internal Revenue Service has determined that the Housing Corporation is exempt from federal income tax under 501(c)(2) of the Code. The Housing Corporation’s purpose was to provide housing in support of employees and programs at the Institution. In December 2004, the Housing Corporation sold the operations of the apartment house and all of its fixed assets to 1650 BLHC Services Corp. (“1650 Services Corp.”). The Housing Corporation has recently been dissolved. This property is not part of the Authority Mortgaged Property.

1650 Services Corp. and 1770 BLHC Services Corp.

1650 Services Corp. and 1770 BLHC Services Corp. (“1770 Services Corp.”) were incorporated in 2004 under the New York State Not-for-Profit Corporation Law and are exempt from federal income tax under Section 501(c)(3) of the Code. 1650 Services Corp. and 1770 Services Corp. are supported primarily by tenant rental fees. The purpose of the entities is to provide housing and support of employees and programs at the Institution. The properties utilized by these corporations are not located on the Mortgaged Property.

Bronx Lebanon Hospital New Directions Fund, Inc.

Bronx Lebanon Hospital New Directions Fund, Inc. (“New Directions”) is exempt from federal income tax under Section 501(c)(3) of the Code. New Directions solicits funds on behalf of the Institution and for certain other health care services in the community.

Bronx Lebanon Special Care Center, Inc., The Martin Luther King Jr., Health Center, Inc. and The Bronx-Lebanon Highbridge Woodycrest Center

The Institution is also related to Bronx-Lebanon Special Care Center, Inc. (“Special Care Center”), The Martin Luther King Jr., Health Center, Inc. (“MLK”) and The Bronx-Lebanon Highbridge Woodycrest Center (“Highbridge Woodycrest”) through board control. Although there are shared services among the Institution, MLK, Special Care Center, and Highbridge Woodycrest, Special Care Center, MLK and Highbridge Woodycrest’s financial position and financial activity are not included in the Institution’s

consolidated financial statements. The President and Chief Executive Officer of the Institution is also the sole voting member of MLK and Highbridge Woodycrest. The Special Care Center and Highbridge are not located on the Mortgaged Property.

Concourse Replacement, LLC

Concourse Replacement, LLC (“Concourse”) is a New York limited liability company owned 45% by Special Care, 45% by Island Rehabilitative Service Corp. and 10% by Mahendraray Dave, M.D. Concourse was formed for the purpose of owning and operating an end stage renal dialysis facility under Article 28 of the New York Public Health Law.

The Bronx Care Development Corporation

The Bronx Care Development Corporation (“BCDC”) is a New York corporation wholly owned by the Institution. BCDC is a general partner for .01%, Sterling Corporate Tax Credit Fund XXIII, L.P. (Investor) is a limited partner for 99.98% and Sterling Corporate Services, Inc. is a special interest limited partner for .01% of Bronx Care Associates. Bronx Care Associates is a New York limited partnership established to develop a parcel of land into a 52-unit affordable rental housing for low income, frail, elderly individuals and individuals with physical disabilities. The Institution has the right to buy the property from Bronx Care Associates.

Accreditations, Approvals, Memberships and Affiliations

Licenses and Accreditation

The Institution’s licenses, accreditations and affiliations are set forth below:

<u>Nature of Relationship</u>	<u>Agency/Group</u>
License/Accreditation	<ul style="list-style-type: none"> • New York State Department of Health • The Joint Commission • New York State Office of Mental Health
Membership/Affiliation	<ul style="list-style-type: none"> • Yeshiva University, Albert Einstein College of Medicine • Council of Teaching Hospitals • Association of American Medical Colleges • National Resident Matching Program

Source: Records of the Institution, September, 2008

Below is a list of the Institution’s affiliations and the areas in which the Institution accepts students in various capacities for such affiliations:

Educational Affiliations

<u>Area of Training</u>	<u>Educational Institution</u>
Dentistry	<ul style="list-style-type: none"> • Morris Heights Neighborhood Health Center • Rose F. Kennedy Center
Family Medicine	<ul style="list-style-type: none"> • Jacobi Medical Center
Gastroenterology	<ul style="list-style-type: none"> • Westchester Medical Center

<u>Area of Training</u>	<u>Educational Institution</u>
Obstetrics & Gynecology	<ul style="list-style-type: none"> • Montefiore Medical Center
Ophthalmology	<ul style="list-style-type: none"> • Ambulatory Surgery Center of Greater New York, Inc. • Montefiore Medical Center • New York Eye and Ear Infirmary IPA, Inc. • Riverdale Lasik Center
Pediatrics	<ul style="list-style-type: none"> • Montefiore Medical Center
Psychiatry	<ul style="list-style-type: none"> • William Alanson White Institute
Surgery	<ul style="list-style-type: none"> • Yeshiva University, Albert Einstein College of Medicine • The Mount Sinai Medical Center, Inc. • St. Michaels Hospital • University of Pennsylvania • Hudson Valley Hospital Center

Medical and Dental Staff

As of September 30, 2008, there were 661 members of the medical and dental staff of the Institution. The following is a summary by department/service of the medical and dental staff, the number of physicians/dentists, their average age, and the number of those who are board certified in their specialty:

Medical and Dental Staff by Department As of September 30, 2008

<u>Department/Service</u>	<u>Number</u>	<u>Average Age</u>	<u>Board Certified</u>
Anesthesiology	18	50	11
Dentistry	49	44	8
Ear, Nose & Throat	4	41	2
Emergency Medicine	39	40	25
Family Medicine	51	46	32
Medicine	171	48	135
Neurosurgery	2	47	1
Obstetrics/Gynecology	32	47	25
Ophthalmology	29	52	16
Orthopedics	12	43	10
Pathology	9	61	7
Pediatrics	142	50	110
Physical Medicine/Rehabilitation	2	55	2
Psychiatry	51	52	24
Radiology	25	50	19
Surgery	<u>25</u>	<u>54</u>	<u>24</u>
Total	<u>661</u>	<u>48.4</u>	<u>451</u>

Source: Institution Records

Service Area and Other Area Hospitals

The Institution has traditionally served the South Bronx and the Central Bronx. The South and Central Bronx service area accounted for 91.4% of the Institution's total discharges in 2007¹. The South and Central Bronx is considered one of the poorest areas in the nation and has been a symbol of urban decay for several decades. The population is overwhelmingly black, hispanic and medically indigent. The service area population is medically underserved with a high incidence of the chronic health problems associated with disadvantaged urban areas, such as hypertension, asthma, AIDS, hepatitis, tuberculosis, lead poisoning, infant mortality, substance abuse and mental disorders.

Within the Institution's service area, there are five other competing providers. St. Barnabas Hospital, HHC/Bronx Municipal Hospital Center, HHC/Lincoln Medical Center and Mental Health Center, HHC/ North Central Bronx Hospital and Montefiore Medical Center. Historically, the Institution has the highest overall market share percentage in its primary service area and is second in market share only to Montefiore Medical Center in its secondary service area².

An analysis of the scope, size and managed care plans of other area health care providers indicated that the key competing hospitals in the Institution's service area are responding to and preparing for increases in managed care penetration. All of the hospitals have formed or established relationships with HMOs and other managed care plans. Several competitors have also developed satellite primary care access points in the Bronx, but only St. Barnabas Hospital operates in the Institution's service area.

Utilization Data

A summary of historical utilization data for the calendar years ended December 31, 2005, 2006 and 2007 and the eleven-month periods ended November 30, 2007 and 2008 for the Institution is presented in the following table:

	Year Ended December 31,			Eleven-Months Ended November 30,	
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2007</u>	<u>2008</u>
Discharges					
Medical/Surgical	20,581	21,520	22,076	20,148	20,665
Psychiatric	2,295	2,244	2,265	2,078	2,021
Rehabilitation	765	762	766	703	630
Obstetrics and Gynecology.....	<u>3,984</u>	<u>4,011</u>	<u>3,999</u>	<u>3,714</u>	<u>3,627</u>
Total Adult	27,625	28,537	29,106	26,643	26,943
Nursery	<u>2,236</u>	<u>2,155</u>	<u>2,309</u>	<u>2,094</u>	<u>2,099</u>
Total Institution.....	<u>29,861</u>	<u>30,692</u>	<u>31,415</u>	<u>28,737</u>	<u>29,042</u>
Patient Days					
Medical/Surgical	127,170	129,336	129,162	118,131	121,394
Psychiatric	37,217	40,247	39,854	36,368	37,575
Rehabilitation	10,527	10,453	10,328	9,408	9,085
Obstetrics and Gynecology.....	<u>11,778</u>	<u>11,966</u>	<u>11,581</u>	<u>10,734</u>	<u>10,853</u>
Total Adult.....	186,692	192,002	190,925	174,641	178,907
Nursery	<u>6,006</u>	<u>5,898</u>	<u>6,409</u>	<u>5,764</u>	<u>5,687</u>
Total Institution.....	<u>192,698</u>	<u>197,900</u>	<u>197,334</u>	<u>180,405</u>	<u>184,594</u>

Average Length of Stay (in days)

¹ Institution records.

² Source: Healthcare Association of New York State, Med Stats, Statewide Planning and Research Cooperative System 2004.

	Year Ended December 31,			Eleven-Months Ended November 30,	
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2007</u>	<u>2008</u>
Medical/Surgical	6.2	6.0	5.9	5.9	5.9
Psychiatric	16.2	17.9	17.6	17.5	18.6
Rehabilitation	13.8	13.7	13.5	13.4	14.4
Obstetrics and Gynecology.....	<u>3.0</u>	<u>3.0</u>	<u>2.9</u>	<u>2.9</u>	<u>3.0</u>
Total Adult.....	6.8	6.7	6.6	6.6	6.6
Nursery.....	<u>2.7</u>	<u>2.7</u>	<u>2.8</u>	<u>2.8</u>	<u>2.7</u>
Total Institution.....	<u>6.5</u>	<u>6.4</u>	<u>6.3</u>	<u>6.3</u>	<u>6.4</u>

Occupancy Percentage (Based on Certified Beds)

Medical/Surgical	86.9%	88.4%	85.3%	85.2%	87.3%
Psychiatric	104.0%	112.5%	111.4%	111.1%	114.5%
Rehabilitation	96.1%	95.5%	94.3%	93.9%	90.4%
Obstetrics and Gynecology.....	<u>89.6%</u>	<u>91.1%</u>	<u>88.1%</u>	<u>89.3%</u>	<u>90.0%</u>
Total Adult.....	90.5%	93.1%	90.3%	90.3%	92.2%
Nursery.....	<u>33.6%</u>	<u>33.0%</u>	<u>35.8%</u>	<u>35.2%</u>	<u>34.6%</u>
Total Institution.....	<u>86.0%</u>	<u>88.3%</u>	<u>86.1%</u>	<u>86.0%</u>	<u>87.7%</u>

Ambulatory Surgery Cases.....	9,737	9,259	9,687	9,034	9,075
Emergency Room Visits.....	97,825	106,165	107,623	98,689	99,219
Outpatient Visits.....	364,642	410,351	412,108	390,242	392,009

Source: Institution records.

Management Discussion of Utilization

Year ended December 31, 2006 compared to year ended December 31, 2005

For the year ended December 31, 2006 compared to December 31, 2005, the overall discharges increased by 831 discharges (2.8%). The majority of this increase occurred in the Medical/Surgical area, which increased by 939 discharges (4.6%). The primary reason for this increase was the rise in emergency room cases.

For the year ended December 31, 2006 compared to the year ended December 31, 2005, the length of stay declined slightly or remained constant in all areas except psychiatric, which increased by 1.7 days (10.5%). There are multiple explanations for this trend. The most important was the decreased availability of chronic care beds at other facilities in the surrounding areas; thus, patients must spend increased time at the Institution. This wait time for a transfer has increased substantially since 2002 to approximately eight to twelve weeks. All hospitals in New York City and particularly other Bronx acute care hospitals, experienced similar delays. In addition, clearance for shelter residence or other housing (e.g., single room occupancy facilities) for psychiatric patients has become increasingly arduous with extensive review of medical status and need. In order to meet these challenges, the Department of Psychiatry continues to take steps to reduce length of stay. Among them is a significant increase of case management services. This helps by planning appropriate services for discharge at the time of admission thus decreasing length of stay in the long run.

For the year ended December 31, 2006 compared to the year ended December 31, 2005, overall Institution occupancy percentage increased by 2.3 percentage points primarily due to Psychiatry which increased by 8.5 percentage points. This increase in occupancy percentage for Psychiatry is due to the increase in length of stay. The Department of Psychiatry continued to run in excess of capacity and in 2006, a Certificate of Need application had been approved by the New York State Department of Health to increase psychiatric bed capacity by 25 beds. The 25 new beds are currently under construction.

For the year ended December 31, 2006 compared to the year ended December 31, 2005, emergency room visits increased by 8,340 visits (8.5%). The increase was due to expansion and renovation projects in the

emergency room that were completed during 2005, and negatively effected volume during 2005. The increase in outpatient visits of 45,709 visits (12.5%) was primarily due to a full year's operation of the new FECS (Federation for Employment and Guidance Services) clinic which opened in 2005, and a significant growth in visits to the Women's Health clinic.

Year ended December 31, 2007 compared to year ended December 31, 2006

For the year ended December 31, 2007 compared to year ended December 31, 2006, total Institution discharges increased by 723 (2.4%). The increase in discharges was due to an increase in medical/surgical discharges of 556 (2.6%), which was a result of recruitment of additional physicians in the areas of surgery, ear, nose and throat, and orthopedics. In addition, nursery discharges also increased by 154 (7.2%).

For the year ended December 31, 2007 compared to year ended December 31, 2006, the average length of stay showed an improvement declining by 0.1 days (1.6%) as a result of the Institution's concerted efforts to reduce length of stay and free up additional capacity. Occupancy percentage declined by 2.2 percentage points as a result of the reduction in average length of stay and the addition of 25 new medical/surgical beds which became operational in mid 2007.

Eleven-month period ended November 30, 2008 compared to the eleven-month period ended November 30, 2007

For the eleven-month period ended November 30, 2008 compared to the eleven-month period ended November 30, 2007, total Institution discharges increased by 305 discharges (1.1%). The increase in discharges is due to a combination of increased bed capacity, increased emergency room visits, and the addition of new staff physicians with the ability to treat cases that were formerly transferred to other facilities. This has also resulted in a significant increase in the Institution's case mix index. Psychiatric discharges decreased by 57 discharges (2.7%) due to lack of available capacity caused by the increase in the psychiatric length of stay. Rehabilitation discharges decreased by 73 discharges (10.4%) as certain services became available on an outpatient basis.

For the eleven-month period ended November 30, 2008 compared to the eleven-month period ended November 30, 2007, total Institution patient days increased by 4,189 (2.3%). This increase was a result of increased discharges with the average length of stay in most categories remaining consistent with the prior period except for Psychiatry and Rehabilitation. Length of stay in Psychiatry increased by 1.1 days (6.3%) due to the increased difficulties in placing patients ready for discharge in other facilities. Due to the increase in patient days, occupancy percentage increased in all categories except Rehabilitation, which decreased by 3.5 percentage points due to fewer discharges.

Summary of Historical Revenues and Expenses

The following Summary for each year ended December 31, 2005, 2006 and 2007 has been derived from the Institution's audited financial statements. The audited summary of historical revenues and expenses of the Institution as of December 31, 2005, 2006 and 2007 is set forth in Appendix B. The Summary should be read in conjunction with the audited financial statements and related notes to the financial statements of the Institution included in Appendix B. The data in the Summary for the eleven-month periods ended November 30, 2007 and 2008, which were not audited, reflect, in the opinion of management, all adjustments (which include normal recurring adjustments) necessary to summarize fairly the results for such periods. The results for the eleven-month periods ended November 30, 2007 and 2008 should not be considered indicative of the results for the full fiscal year.

**SUMMARY OF HISTORICAL REVENUES AND EXPENSES
(DOLLARS IN THOUSANDS)**

	Year Ended December 31,			Eleven-Months Ended November 30, ⁽¹⁾	
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2007</u>	<u>2008</u>
Operating Revenue ⁽²⁾	\$492,286	\$513,400	\$518,781	\$439,878	\$474,235
Operating Expenses Before Provision for Depreciation and Interest Expense.....	<u>459,137</u>	<u>469,971</u>	<u>486,231</u>	<u>408,801</u>	<u>447,296</u>
Income from Operations Before Provision for Depreciation and Interest Expense.....	33,149	43,429	32,550	31,077	26,939
Interest Expense	7,705	6,999	5,432	4,324	3,895
Depreciation	<u>25,125</u>	<u>24,994</u>	<u>22,993</u>	<u>22,005</u>	<u>22,292</u>
Excess of Operating Revenue Over/(Under) Expenses	319	11,436	4,125	4,748	752
Nonoperating Revenues.....	<u>3,764</u>	<u>5,655</u>	<u>7,390</u>	<u>6,635</u>	<u>4,837</u>
Net Operating Income	<u>\$4,083</u>	<u>\$17,091</u>	<u>\$11,515</u>	<u>\$11,383</u>	<u>\$5,589</u>

⁽¹⁾ Excludes financial information for 1650 Services Corp. and 1770 Services Corp. since such information would not have a material impact on the results.

⁽²⁾ Operating revenue is reported net of bad debt expenses for the eleven-month period ending November 30, 2007 and 2008.

SOURCE: Audited Financial Statements, December 31, 2005, 2006 and 2007 and the Institution's records for the eleven-month periods ended November 30, 2007 and 2008.

MANAGEMENT'S DISCUSSION OF REVENUES AND EXPENSES

General

Operating revenues increased by \$21.114 million (4.3%) between year ended December 31, 2005 and year ended December 31, 2006, increased by \$5.381 million (1.1%) between year ended December 31, 2006 and year ended December 31, 2007, and are projected to increase approximately \$45.216 million (8.7%) between year ended December 31, 2007 and year ended December 31, 2008. The increases are attributable to the following:

	2006 Change From <u>Prior Year</u>	2007 Change From <u>Prior Year</u>	2008 Projected Change From <u>Prior Year</u>
<u>Operating Revenues (000s)</u>			
Inpatient	\$ (3,536)	\$ 2,910	\$ 46,386
NYPHRM Pool Distribution	(3,156)	11,695	(298)
Ambulatory Patients	29,113	(4,736)	2,155
Governmental Grants	1,314	(3,086)	714
Auxiliary Services	<u>(2,621)</u>	<u>(1,402)</u>	<u>(3,741)</u>
 Total	 <u>\$ 21,114</u>	 <u>\$ 5,381</u>	 <u>\$ 45,216</u>

Source: Institution records

Inpatient revenues decreased by \$3.536 million between year ended December 31, 2005 and year ended December 31, 2006 and were primarily attributable to net effect of increased volume, rate adjustments and increased volume in self-pay population. An increase of \$2.910 million between year ended December 31,

2006 and year ended December 31, 2007 was the net effect of increased volume and improved case mix index, partially offset by a shift in patient payor mix from straight Medicaid and Medicare to managed care and commercial. A projected increase of \$46.386 million between year ended December 31, 2007 and year ended December 31, 2008 is attributable to increased volume of \$10.9 million, improved case mix index of \$10.3 million, prior years' rate adjustment and Medicare settlement of \$9.5 million, increased capitation revenue of \$5.8 million and general rate increase in current year of \$9.9 million.

NYPHRM Pool revenue decreased by \$3.156 million between year ended December 31, 2005 and year ended December 31, 2006 and was attributable to a one-time adjustment made in year ended December 31, 2005 for additional pool revenue. An increase of \$11.695 million between year ended December 31, 2006 and year ended December 31, 2007 was primarily due to an increase in bad debt and charity care needs in 2007 and a one time recording of additional pool revenue related to prior years of \$7.559 million. A projected decrease of \$298,000 between year ended December 31, 2007 and year ended December 31, 2008 was primarily due to change in bad debt and charity care needs.

Ambulatory revenues increased by \$29.113 million between year ended December 31, 2005 and year ended December 31, 2006 and was primarily attributable to recording of prior periods revenue (\$15.6 million) under the 1997 Balanced Budget Act, increased volume and rate adjustment (\$7.166 million) and change in method of reporting bad debt and charity care expenses. A decrease of \$4.736 million between year ended December 31, 2006 and year ended December 31, 2007 was the net effect of a positive rate adjustment and a one-time recording of additional prior period revenue under the 1997 Balanced Budget Act (\$5.6 million) in 2006. A projected increase of \$2.155 million between year ended December 31, 2007 and year ended December 31, 2008 was primarily attributable to general rate increase.

Grant revenues increased by \$1.314 million between year ended December 31, 2005 and year ended December 31, 2006 and was primarily attributable to a Community Health Care Conversion Demonstration Project (CHCCDP) grant. A decrease of \$3.086 million between year ended December 31, 2006 and year ended December 31, 2007 was primarily due to reduction or loss of grant funding for the Crotona Park (CMHC) grant of \$1.082 million, Pediatrics-ACTU grant of \$800,000, Healthcare Stabilization Grant of \$843,000, and School Health Consortium of \$662,000. These losses were partially offset by a CHCCDP Cycle-5 final payment received and recorded in 2007. A projected increase of \$714,000 between year ended December 31, 2007 and year ended December 31, 2008 was primarily due to the addition of new federal grant programs.

Auxiliary income decreased by \$2.621 million between year ended December 31, 2005 and year ended December 31, 2006. This decrease was primarily due to reduction in allocated management fees to affiliates for \$992,000, one-time revenue recorded in 2005 for a legal settlement of \$400,000, settlement of a claim from New York City for condemned Institution property of \$333,000, distribution from an investment in malpractice insurance program of \$635,000, energy savings program of \$100,000 and reduced cost recoveries and rebates. A decrease of \$1.402 million between year ended December 31, 2006 and year ended December 31, 2007 was primarily attributable to a reduction in allocated management fees to affiliates. A projected decrease of \$3.741 million between year ended December 31, 2007 and year ended December 31, 2008 was primarily attributable to change in method of recording certain faculty practice revenue from auxiliary income to special funds.

The operating expenses before depreciation and interest expenses increased by \$10.834 million (2.4%) between year ended December 31, 2005 and year ended December 31, 2006, increased by \$16.261 million (3.5%) between year ended December 31, 2006 and year ended December 31, 2007, and are projected to increase \$48.747 million (10.0%) between year ended December 31, 2007 and year ended December 31, 2008. The increases are attributable to the following:

	2006 Change From <u>Prior Year</u>	2007 Change From <u>Prior Year</u>	2008 Projected Change From <u>Prior Year</u>
<u>Operating Expense Before Depreciation and Interest (000s)</u>			
Salaries and Wages	\$ 16,371	\$ 21,516	\$ 19,306
Employee Benefits	7,020	(1,044)	4,981
Supplies and Expenses	(3,136)	4,967	18,330
Bad Debt Expense	(9,618)	(10,495)	5,160
Other Capital Costs	<u>197</u>	<u>1,317</u>	<u>970</u>
Total	<u>\$ 10,834</u>	<u>\$ 16,261</u>	<u>\$ 48,747</u>

Source: Institution records

Salaries and wages increased by \$16.371 million between year ended December 31, 2005 and year ended December 31, 2006, increased \$21.516 million between year ended December 31, 2006 and year ended December 31, 2007 and are projected to increase \$19.306 million between year ended December 31, 2007 and year ended December 31, 2008 primarily due to increased costs related to collective bargaining agreements, cost of living adjustments and increased staffing due to increased volume and additional services.

Employee benefits increased by \$7.020 million between year ended December 31, 2005 and year ended December 31, 2006 and was attributable to increased pension expense (\$2.4 million), social security (\$1.0 million), union benefits (\$1.8 million) and a one time accrual for worker compensation medical claims (\$1.5 million). A decrease of \$1.044 million between year ended December 31, 2006 and year ended December 31, 2007 was attributable to an increase in New York State Nurses Association (“NYSNA”) benefits (\$2.7 million), union benefits (\$1.8 million), and a one-time reversal of over accrued pension expense (\$5.4 million). A projected increase of \$4.981 million between year ended December 31, 2007 and year ended December 31, 2008 was attributable to an increase in social security expense (\$2.0 million), union benefits payment (\$1.9 million), major medical expense (\$813,000) and pension expense (\$791,000).

Supplies and expenses decreased by \$3.136 million between year ended December 31, 2005 and year ended December 31, 2006 and was primarily due to one time accrual in 2005 to cover pending litigation and related expense (\$5.0 million). An increase of \$4.967 million between year ended December 31, 2006 and year ended December 31, 2007 was primarily attributable to general price increases and increased utilization. A projected increase of \$18.330 million between year ended December 31, 2007 and year ended December 31, 2008 was primarily due to increase in medical surgical supplies and pharmacy drug costs (\$3.3 million) due to increased volume, contract labor (\$7.6 million) due to expansion of new services and preparation for The Joint Commission, management information system and implementation of new clinical systems (\$2.0 million) and legal (\$4.3 million) due to a one-time negative adjustment made in 2007 to legal expense.

Bad debt expense decreased by \$9.618 million between year ended December 31, 2005 and year ended December 31, 2006 and was primarily due to a change in reporting of separate charity care costs from bad debt expense. A decrease of \$10.495 million between year ended December 31, 2006 and year ended December 31, 2007 was due to the continuous improvement in resolving denial cases and separating charity care cost from bad debt expense. A projected increase of \$5.160 million between year ended December 31, 2007 and year ended December 31, 2008 was primarily attributable to increased volume in managed care and self-pay.

Capital costs increased by \$197,000 between year ended December 31, 2005 and year ended December 31, 2006 and was primarily due to additional costs related to preparation of the Institution

refinancing its mortgage with the Authority. An increase of \$1.317 million between year ended December 31, 2006 and year ended December 31, 2007 was primarily due to the reclassification of space costs from affiliates related to the Federation Employment and Guidance Service, Inc. program (\$919,000) and rental of MRI equipment (\$318,000). A projected increase of \$970,000 between year ended December 31, 2007 and year ended December 31, 2008 was primarily attributable to the leasing of new space in 2008.

Sources of Patient Service Revenue and Reimbursement Methodologies

The major portion of revenue received by the Institution is derived from third-party payors. The Institution is a provider under the Medicare and Medicaid programs and receives payments from Empire Blue Cross and Blue Shield (“Blue Cross”) and other commercial insurance and managed care companies. The following table shows the percentage distribution of gross revenue from patients and third-party payors for the calendar years ended December 31, 2005, 2006 and 2007:

**Distribution of Gross Revenues from Patients
and Third-Party Payors**

<u>Payor</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Medicaid	49.2%	44.1%	46.4%
Managed Care	30.8%	31.0%	29.2%
Commercial	3.6%	3.9%	4.3%
Medicare	15.6%	15.3%	16.3%
Self Pay	<u>0.8%</u>	<u>5.7%</u>	<u>3.8%</u>
Total	100%	100%	100%

Source: Institution records.

All revenue, statistics and reimbursement information in this section represents historical data and may not be indicative of future activity. The Institution cannot assess or predict the ultimate effect on its operations which may result from existing or future reimbursement legislation or regulations.

Reimbursement Methodologies

A brief synopsis of reimbursement methodologies applicable to the Institution is as follows:

Medicare

The Institution is paid for services to the majority of Medicare inpatients under the federal prospective payment system (“PPS”). Under PPS, payments are based on a standard national amount (adjusted for New York area wage levels), depending on the patient’s diagnosis (“Diagnosis Related Group” or “DRG”) without regard to each hospital’s actual inpatient operating and capital costs. Hospitals receive payment for cases that exceed DRG-specific cost thresholds as well as the costs of organ procurement. Under PPS, hospitals also receive payments for training physicians and other medical professionals (graduate medical education or “GME” payments) and payments for providing care to a high proportion of Medicaid and disabled patients (disproportionate share payments). There are two forms of payment for GME: Direct Graduate Medical Education (“DGME”) and Indirect Medical Education (“IME”) payments. DGME payments support the direct costs of training (e.g., resident stipends, supervision), while IME payments support the costs higher infrastructure teaching hospitals incur relating to teaching, greater patient acuity and their extensive “stand-by” capabilities. The standardized rates are updated annually (the “update factor”) based on a statistical estimate of the increase in the cost of goods and services used by hospitals in providing care (the “market basket”). Currently, the update factor equals the percentage increase in the market basket, but from time to time, Congress has enacted legislation reducing these updates below the market basket.

A prospective payment system also applies to hospital outpatient services (“Outpatient PPS”). Under Outpatient PPS, most outpatient services are grouped into one of approximately 550 Ambulatory Patient Classifications and paid at a uniform national payment amount adjusted for area wage differences and the average amount of resources required to provide the service (e.g., visit, chest x-ray, surgical procedure). The payment for each service is comprised of a payment from the Medicare program and a coinsurance payment of the balance from the beneficiary. Over time, the program payment will comprise a higher percentage of the total payment, culminating in 80% of the total payment.

Effective January 1, 2002, inpatient services provided by rehabilitation and long term care hospitals have been subject to a prospective payment system. These hospitals are paid on a per case basis with payments adjusted to reflect the level of care required by each patient, area wage differences and exceptionally high cost cases. The final rule implementing the prospective payment system for inpatient psychiatric services (“Psychiatric PPS”) was published on November 15, 2004 and was effective for payments for services delivered for cost reporting periods starting on or after January 1, 2005. Payments under Psychiatric PPS are made on a per diem basis with adjustments for area wage differences, intensity of service and exceptionally high costs. For the year ended December 31, 2007, the Institution’s psychiatric Medicare discharges were 10.0% of total Institution’s Psychiatric discharges. Management believes that this regulation will not have any significant impact on the Institution’s total expected revenue.

The Medicare program has experienced frequent legislative, regulatory and administrative revisions in its payment methodologies and other provisions, many of which have sought to reduce the rate of increase in the cost of the program. The Medicare Prescription Drug, Improvement and Modernization Act of 2003 (“MMA”) established many changes to the Medicare program including revisions to Indirect Medical Education funding and expanded coverage for other costs and services. Future actions by the federal government are expected to continue the trend toward more restrictive Medicare reimbursement for hospital services.

The New York Health Care Reform Act of 2000

Pursuant to the HCRA, Blue Cross plans, commercial carriers and self-insured plans negotiate rates with hospitals. Payment for services rendered to Medicaid patients is based on a per discharge reimbursement methodology. HCRA’s current expiration date is December 31, 2011.

Under HCRA, mechanisms are established for the financing of public goods consisting of indigent care, health care initiatives and graduate medical education. Third-party payors are encouraged through fiscal incentives to make payments directly to public good pools, although they have the choice of paying providers directly or on an encounter basis. HCRA specifies the distribution from the public good pools. Indigent care and graduate medical education expense are supported through pool fund distributions. Health care initiatives pay for special projects, particularly expansion of coverage of special need categories including children.

Reimbursement from managed care organizations, such as health maintenance organizations (“HMO”) and preferred provider organizations (“PPO”), Blue Cross, commercial carrier and self-insured plans are at rates negotiated with each organization and principally consist of prospectively determined rates per discharge, discounts from established charges and prospectively determined per diem rates. Self-pay patients are billed at charges. The Institution provides discounts from charges to certain self-pay patients on the basis of financial need.

Licensure And Accreditation

The Institution is licensed by the State of New York and received accreditation for three years by The Joint Commission effective from 2008. It is certified by the United States Department of Health and Human Services (“DHHS”) for participation in the Medicare and Medicaid programs. The Institution’s clinical laboratories are approved by the DOH and The College of American Pathologists. Its radiology facilities are

also licensed by the DOH and are approved by the American College of Radiology. The Institution is licensed by the City of New York for the transfer, receiving, possession, and use of radioactive materials. The majority of its residency and post-graduate training programs are accredited by the Accreditation Council on Graduate Medical Education of the American Medical Association, and its post-graduate dental programs by the American Dental Association.

The Institution is a member of the Greater New York Hospital Association, Healthcare Association of New York State, National Safety Council, The Advisory Board, League of Voluntary Hospitals, New York State Association of Community Health Centers and Alliance of Independent Academic Medical Centers.

Insurance

The Institution maintains a combined professional liability and general liability program on an occurrence basis with its primary layer purchased through a New York State licensed insurance company. In addition, the Institution participates in a pooled professional and general liability excess program with certain other health care facilities (primary hospitals) affiliated with the Federation of Jewish Philanthropy (FOJP) program. The participation is with captive and commercial insurance companies utilizing the occurrence-basis type coverage.

The Institution also maintains a comprehensive program covering other risks. Coverage for property losses and business in the amount of \$330 million is in place. Additional policies covering Directors and officers liability, fiduciary liability, pollution liability, automobile liability and crime losses have been purchased. The Institution's employees are covered for workers compensation and short-term disability claims.

The program consists of a primary layer in the amount of \$1,000,000 per claim and \$8,000,000 in the aggregate for professional liability and \$1,000,000 per claim and \$2,000,000 in the aggregate for general liability. The excess program includes coverage with combined limits of up to \$150,000,000 per claim and \$150,000,000 in the aggregate plus an additional \$25,000,000 excess specific to the Institution.

In 1999, the Institution acquired a claims-made policy and subsequently purchased a policy to cover the tail with initial layers of coverage of \$1,000,000 per claim and \$8,000,000 in the aggregate.

Prior to 1999, a self-insurance trust was established to cover the first layer of coverage for claims through December 31, 1998. The self-insurance liability represents the present value of the Institution's anticipated exposure.

In addition, in 2005, the Institution received "Deemed" status from the Health Resource and Services Administration ("HRSA") for Free Clinic Federal Tort Claims Act ("FTCA") Medical Malpractice Insurance. This is a federal program that covers physician and hospital services within the Institution's scope of the Section 330 Grant from the Bronx-Lebanon Integrated Services System, Inc. This malpractice insurance places the federal government as primary insurer with no limits, and moves the case to federal jurisdiction.

Litigation

The Institution has no litigation, including medical malpractice litigation, or proceedings pending or, to its knowledge, threatened against it except: (i) litigation being defended by insurance companies on behalf of the Institution, the probable recoveries in which and the estimated costs and expenses of defense of which, in the opinion of counsel to the Institution for such matters or of the applicable insurance carrier, will be entirely within the Institution's applicable insurance policy limits (subject to applicable deductibles); (ii) litigation, the probable recoveries in which and the estimated costs and expenses of defense of which, in the opinion of counsel to the Institution for such matters, will not materially and adversely affect the Institution's operations or financial condition; (iii) litigation, the probable recoveries in which and the

estimated costs and expenses of defense of which, after exhaustion of available insurance proceeds, if any, in the opinion of Institution management, will not materially and adversely affect the Institution's operations or financial condition; and (iv) litigation, investigations or claims that, in the opinion of management, have been adequately reserved for.

Nursing

As of September 30, 2008, the Institution employed approximately 1,084.53 FTE employees in its skilled nursing department, including registered nurses. Of the 1,084.53 FTEs, approximately 648.58 FTEs were registered nurses. Due to nursing shortages throughout the healthcare industry, the Institution has experienced difficulty in recruiting an adequate number of nursing staff. In response, the Institution actively recruits nurses.

Employee Benefits

The Institution provides a comprehensive range of benefits for its employees, including health, life, accidental death and dismemberment coverage, major medical, prescription, and dental insurance, pension, tuition reimbursement, pre-tax commuter, health and dependent care accounts, tax sheltered annuity programs, uniform allowances, vacation and personal days and sick days.

The Institution funds a competitive benefits package for eligible employees, which forms a significant part of annual compensation and future security for employees and their families. The Institution also contributes to the union benefits plans for covered employees. The benefits package includes the following types of group coverage for eligible employees and their dependents:

- Health Care Insurance - Employees who work a minimum of twenty hours per week are eligible for health insurance coverage inclusive of prescription drugs. The Institution also covers a portion of dental expenses. If selected, optical coverage is funded by the employee.
- Basic Life Insurance including Accidental Death and Dismemberment is provided for regular employees who work a minimum of twenty hours weekly. Life Insurance is subject to an age reduction rule of 65% at age 70 and 50% at age 75.
- The Long Term disability benefit for eligible employees who work a minimum of 30 hours per week is equal to 50% of basic monthly earnings to a maximum of \$15,000 month after 180 days of continuous disability due to the same illness/injury to age 65.
- Retirement Plan - All eligible employees are covered under a defined retirement plan which, upon retirement, provides a pension for employees meeting certain service requirements. The Institution funds the Retirement Plan.
- Pension Plan – The Institution funds a defined benefit pension plan for NYSNA and eligible non-union employees.

In addition to the aforementioned coverages, all employees are covered in accordance with New York State and Federal laws, by the following insurance: New York State Non-Occupational Disability Insurance, Workers' Compensation Insurance, and Social Security Insurance (F.I.C.A.).

Labor Relations

The registered professional nurses at the Institution are represented by the New York State Nurses Association ("NYSNA"). The collective bargaining agreement between the Institution and NYSNA is effective from January 1, 2007 through December 31, 2009. Residents are represented by the Committee of

Interns and Residents. This collective bargaining agreement is effective from November 1, 2007 through October 31, 2010. Porters and Handymen are represented by SEIU Local 32BJ. This contract is in effect from March 15, 2008 through March 14, 2011. Other union titles including professionals such as pharmacists and social workers, technician titles and non professional titles are represented by 1199 SEIU United Health Care Workers East. The contract between the League of Voluntary Hospitals and 1199 is in effect from July 1, 2007 through September 30, 2011. Management believes its employee relations to be good. There have been no work stoppages under any of the above agreements.

Future Plans and Past Plans

As of September 30, 2008, for the period starting January 2007, the Institution had 14 approved Certificate of Need (“CON”) applications and 1 pending CON. The table below sets forth the project name, status and the project cost.

CON Status Report as of August 31, 2008

<u>Project Name</u>	<u>Project Status</u>	<u>Project Cost</u>
• Ambulatory Care Center ¹	Approved	\$ 41,836,750
• Emergency Room Expansion ²	Approved	\$ 8,811,000
• Relocation of Physical and Rehabilitation Services ²	Approved	\$ 625,000
• Acquire PET Imager/Scanner ²	Approved	Lease
• Replacement of Nuclear Medicine Camera ²	Approved	\$ 728,857
• Replacement of Kitchen Equipment – Concourse ²	Approved	\$ 1,467,949
• Relocation Oncology Suite ²	Approved	\$ 1,340,000
• Conversion of 3 Pediatric beds into Intensive Care Unit Beds ²	Approved	None
• Replacement of Existing MRI Equipment ²	Approved	\$ 2,721,720
• Conversion of 2 Pediatric Beds into 2 Intensive Care Unit Beds ²	Pending	\$ 614,000
• Expand/Relocate Orthopedic Services ²	Approved	\$ 653,800
• Upgrade Sprinkler System – Fulton ²	Approved	\$ 2,841,563
• Upgrade Sprinkler System – Concourse ²	Approved	\$ 2,892,713
• Structural Repairs to Boiler Room – Fulton ²	Approved	\$ 2,964,119
• Relocate Outpatient Endoscopy Suite and Outpatient Physical Therapy Program ²	Approved	\$ 1,600,000

PART 6 -THE PLAN OF FINANCE

The project is designed to meet the Institution’s need to increase its primary and specialty health services in its Ambulatory Care Network. The Institution will construct a new discrete ambulatory care center which will be located in close proximity to the Concourse Division. The new facility is to be on property owned by the Institution, and will consist of nine stories plus a penthouse totaling approximately 66,000 gross square feet. Construction costs are estimated at \$27.4 million with an approximately nineteen month construction period. The Institution anticipates that visits will increase by approximately 57,000 three years after completion of the project and staffing will increase by 52.5% full time employees. The new facility will

¹ To be financed with Series 2009 Bonds.

² To be funded from operations.

include, but not be limited to, adult medicine/specialty care, gastroenterology, neurology, pulmonary, endocrinology, cardiology, dermatology, ophthalmology, gynecology, surgery programs and radiology.

PART 7 - ESTIMATED SOURCES AND USES OF FUNDS

Estimated sources and uses of funds are as follows:

Estimated Sources of Funds

Principal Amount of Series 2009 Bonds.....	\$ 36,510,000.00
Less: Net Original Issue Discount	(218,063.50)
Other Sources.....	<u>4,075,000.00</u>
Total Estimated Sources.....	<u>\$ 40,366,936.50</u>

Estimated Uses of Funds

Deposit to Construction Fund	\$ 34,197,048.39
Capitalized Interest	4,007,294.47
Costs of Issuance*	<u>2,162,593.64</u>
Total Estimated Uses	<u>\$ 40,366,936.50</u>

*Costs of Issuance includes Letter of Credit and other fees.

PART 8 - GENERAL FACTORS AFFECTING THE INSTITUTION REVENUES

The following factors, among others, may unfavorably affect the operations of health care facilities, including the Institution, to an extent and in a manner that cannot be determined at this time:

General

The Series 2009 Bonds are not a debt or liability of the State of New York or any political subdivision thereof, but are special obligations of the Authority payable solely from the amounts paid under the Letter of Credit, payments under the Loan Agreement and other funds held pursuant to the Resolution and the Series 2009 Resolution (excluding the Credit Facility Provider Repayment Fund and the Arbitrage Rebate Fund). The Authority has no taxing power.

The Institution’s revenues and expenses and its ability to operate successfully over the life of the Series 2009 Bonds will be affected by future events and conditions relating generally to, among other things, demand for its services; the ability of the Institution to provide the services required by its residents and patients; patient and physician satisfaction with the Institution and its facilities; management’s capabilities; demographic, financial and economic developments in the United States, the State, and the Institution’s service areas; competition; operating costs; third-party reimbursement rates; and government regulation. The ability of the Institution to operate successfully over the life of the Series 2009 Bonds may also be dependent upon its ability to finance, acquire and support additional capital replacements and improvements, which ability will be affected by legislation, regulations and applicable principles of reimbursement. In addition to matters discussed above and elsewhere in this Official Statement, the following factors, among others, may also have a material effect on the Institution’s operations to an extent that cannot be determined at this time.

Event of Taxability

If the Institution does not comply with certain covenants set forth in the Loan Agreement or if certain representations or warranties made by the Institution in the Loan Agreement or in certain certificates of the Institution are false or misleading, or if the Authority fails to comply with certain covenants set forth in certain certificates of the Authority, then the interest paid or payable on the Series 2009 Bonds may become subject to inclusion in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2009

Bonds, regardless of the date on which such noncompliance or misrepresentation is ascertained. In the event that the interest on the Series 2009 Bonds should become subject to inclusion in gross income for federal income tax purposes, the Resolutions do not provide for payment of any additional interest on any Series 2009 Bonds, the redemption of any Series 2009 Bonds or the acceleration of the payment of principal on any Series 2009 Bonds.

Default by the Institution

No representations or assurances can be given that the Institution will not default in performing its obligations under the Loan Agreement or the Reimbursement Agreement. If such a default occurs, the Series 2009 Bonds are subject to redemption by the Authority, in whole or in part, at 100% of the principal amount thereof. See “PART 3 – THE SERIES 2009 BONDS – Redemption – Special Mandatory Redemption.”

Enforceability of Remedies

The Series 2009 Bonds are payable from the sources and are secured as described in “PART 2 – SOURCES OF PAYMENT OF AND SECURITY FOR THE SERIES 2009 BONDS.” The practical realization of value from the collateral described therein upon any default will depend upon the exercise of various remedies specified by the Loan Agreement, the Mortgage and the Assignment Agreement. These and other remedies may, in many respects, require judicial actions, which are often subject to discretion and delay.

Under existing law, the remedies specified by the Loan Agreement, the Mortgage and the Assignment Agreement may not be readily available or may be limited. A court may decide not to order the performance of the covenants contained in those documents. The legal opinion to be delivered concurrently with the delivery of the Series 2009 Bonds will be qualified as to enforceability of the various agreements and other instruments by limitations imposed by State and federal laws, rulings and decisions affecting remedies and by bankruptcy, reorganization or other laws affecting the enforcement of creditors’ rights generally.

Legislative, Regulatory and Contractual Matters Affecting Revenue

In recent years, the Congress of the United States (the “Congress”) and the New York State Legislature have considered a number of legislative proposals to regulate, control or alter the methods of financing and delivering health care. Although there are wide variations among these bills and proposals, the common theme is to make a material reduction in the rate of growth of health care expenditures by third-party payors and individuals. Although the ultimate adoption and the specific impact of these initiatives on the health care delivery system cannot be determined at this time, any significant decrease in the level of payments by third-party payors (their “reimbursement”) will have an adverse impact on the financial condition of health care providers generally and the Institution in particular.

On December 16, 2008, New York State Governor David A. Paterson released his Executive Budget proposal for the 2009-2010 fiscal year, which included significant reductions in state funding to health care programs. The Healthcare Association of New York State estimates that under Governor Paterson’s proposed Executive Budget, in the 2009-2010 budget year: the various deficit reduction measures (including trend cuts to Medicaid reimbursement rates, re-instatement of a hospital gross receipt tax and the reduction or elimination of funding to various health care programs) would have an adverse impact to hospitals of approximately \$701 million; that the health care reforms (including reform to the current Medicaid rate methodology) would reduce state funding to hospitals by approximately \$112 million and Medicaid Managed Care initiatives would adversely impact funding to hospitals by approximately \$205 million. It cannot be predicted at this time what, if any, reductions in state funding to health care programs will be included in the Executive Budget finally adopted by the New York State legislature. The Institution’s financial condition could be adversely effected by any reductions in state funding to Medicaid or other health care programs included in the final 2009-2010 Executive Budget.

Medicaid and Medicare Reimbursement

Significant portions of the Institution's revenues are derived from Medicaid and Medicare. Significant changes have been made and may be made in the Medicaid and Medicare programs which could have a material adverse impact on the Institution's financial condition. Future federal budgets could include significant cuts in spending for both Medicare and Medicaid programs, and neither the Authority nor the Institution can predict the final amounts of such spending reductions. Future proposals could have a material and adverse effect on the payments made to health service providers under Medicare and Medicaid programs generally and upon the financial condition of the Institution in particular.

Department of Health Regulations

Regulations of the Department of Health could change, requiring the Institution to admit or maintain more indigent patients than is currently required. The Department of Health could fail to renew the Institution's operating certificate for failure to comply with regulatory requirements.

Competition

Adverse economic conditions in the service area could decrease the number of otherwise eligible persons who can afford to pay their own expenses for care, or competition in the service area could increase from alternative modes of care including life care, assisted living facilities, and home care.

Shortages of certain types of personnel available for staffing health care facilities exist in some areas. To the extent that the Institution is unable to maintain adequate staff levels, utilization and, thus, financial performance, may be adversely affected.

Tax Issues Relating To Non-Profit Organizations

There have been recent developments affecting the tax-exempt status of non-profit organizations, including legislation introduced in the Congress. Taxing authorities in certain jurisdictions have sought to impose or increase taxes related to the property and operations of such organizations, particularly where such authorities have been dissatisfied with the amount of service provided to indigents.

The Internal Revenue Service ("IRS") has commenced intensive audits of select health care providers to determine whether the activities of the providers are consistent with their continued tax-exempt status. Revocation of the tax-exempt status of the Institution under Section 501(c)(3) of the Code could subject the interest paid to Bondholders to federal income tax retroactively to the date of the issuance of the Series 2009 Bonds. The Code specifically conditions the continued exemption of all Section 501(c)(3) organizations upon the requirement, among others, that no part of the net earnings of the organization inures to the benefit of any private individual. Any violation of the prohibition against private inurement may cause an organization to lose its tax-exempt status. The IRS has issued guidance in informal private letter rulings and general counsel memoranda on some situations that give rise to private inurement, but there is no definitive body of law and there are no regulations or public advisory rulings that address many common arrangements between exempt health care providers and non-exempt individuals or entities. While management of the Institution believes that such Institution's arrangements with private persons and entities are consistent with guidance by the IRS, there can be no assurance concerning the outcome if an audit or other investigation should be commenced in the future.

Other Laws, Regulations and Policies Affecting Health Care Providers

There is an expanding and complex body of laws, regulations and policies aimed at preventing abuses which impact the operation of health care providers. The Federal False Claims Act is one, a broad statute the government often utilizes in fighting fraud and abuse. In the health care field, the most commonly used

provisions under the False Claims Act prohibit a person from “knowingly” presenting or causing to be presented a false or fraudulent claim for payment or approval to the federal government, and from “knowingly” making, using or causing to be made a false record or statement to get a false or fraudulent claim paid or approved by the federal government. These prohibitions extend to claims submitted to federal health care programs, including Medicaid. Violations of the Federal False Claims Act may result in double or triple damages and penalties which may be levied on a per-violation basis, as well as temporary or permanent exclusion from the Federal health programs (which account for a significant portion of revenue and cash flow of the Institution). If any institution should be charged with a violation of the Federal False Claims Act, such action, if determined adversely to the institution, could have a material effect on such institution.

Environmental Matters

Health care providers are subject to a wide variety of federal, state and local environmental and occupational health and safety laws and regulations. These requirements govern the management and proper disposal of medical and toxic or hazardous waste substances, air and water quality control, notices to employees and the public and training requirements for employees. As a health care operator and employer, each Institution is subject to potentially material liability for costs of investigating and remediating the releases of any such substances either on its properties or that has migrated from its properties or that have been improperly disposed of off-site, as well as the harm to persons or property that such releases may cause. At the present time, management of the Institution is not aware of any pending or threatened environmental claim, investigation or enforcement action, which, if determined adversely to the Institution, would have material adverse consequences.

Other Factors

Other factors, which may affect the Institution’s ability to make payments due under the Loan Agreement or the Reimbursement Agreement include the following:

1. The land and buildings comprising the Project are exempt from real property taxes pursuant to Section 420-a of the New York State Real Property Tax Law. However, determination of exemption is required by law to be made on a yearly basis, upon annual application to the assessor by the organization claiming exemption.
2. DOH could fail to renew the Institution’s operating license.
3. Employee strikes or other adverse labor actions could result in a substantial reduction in revenues without corresponding decreases in costs.
4. Adverse economic conditions in the service area could decrease the number of otherwise eligible persons who can afford to pay their own expenses for care, or competition in the service area could increase from alternative modes of care including life care, assisted living facilities and home care.
5. The Institution may not be able to employ sufficient numbers of qualified nurses and other health care workers at currently projected wage levels.
6. Imposition of wage or price controls for the health care industry, the expansion of managed care or the continuation in the rise of health care costs could adversely affect the Institution’s revenues.
7. Cost and availability of any insurance, such as medical malpractice, fire, automobile and general comprehensive liability, that health care facilities of similar size and type generally carry could adversely affect the Institution’s revenues.

8. The occurrence of natural disasters including floods and earthquakes may damage the Mortgaged Property, interrupt utility service to the Project, or otherwise impair the operation of the Mortgaged Property and the generation of revenues from the Project. The Mortgaged Property will be covered by general property insurance in an amount which the Institution considers to be sufficient to provide for the replacement of the Mortgaged Property in the event of a natural disaster.

9. Other developments could adversely affect the federal or State tax-exempt status of municipal bonds. See "PART 12 - TAX MATTERS" herein.

PART 9 - THE AUTHORITY

Background, Purposes and Powers

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

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

The Authority has the general power to acquire real and personal property, give mortgages, make contracts, operate dormitories and other facilities and fix and collect rentals or other charges for their use, contract with the holders of its bonds and notes as to such rentals and charges, make reasonable rules and

regulations to assure the maximum use of facilities, borrow money, issue negotiable bonds or notes and provide for the rights of their holders and adopt a program of self-insurance.

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

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

At December 31, 2008, the Authority had approximately \$37.7 billion aggregate principal amount of bonds and notes outstanding, excluding indebtedness of the Agency assumed by the Authority on September 1, 1995 pursuant to the Consolidation Act. The debt service on each such issue of the Authority's bonds and notes is paid from moneys received by the Authority or the trustee from or on behalf of the entity having facilities financed with the proceeds from such issue or from borrowers in connection with its student loan program.

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

The total amounts of the Authority bonds and notes (excluding debt of the Agency assumed by the Authority on September 1, 1995 pursuant to the Consolidation Act) outstanding at December 31, 2008 were as follows:

<u>Public Programs</u>	<u>Bonds Issued</u>	<u>Bonds Outstanding</u>	<u>Notes Outstanding</u>	<u>Bonds and Notes Outstanding</u>
State University of New York				
Dormitory Facilities	\$ 2,250,196,000	\$ 974,760,000	\$ 0	\$ 974,760,000
State University of New York Educational and Athletic Facilities	12,199,467,999	5,255,462,634	0	5,255,462,634
Upstate Community Colleges of the State University of New York	1,431,000,000	608,320,000	0	608,320,000
Senior Colleges of the City University of New York	9,605,001,762	2,890,614,213	0	2,890,614,213
Community Colleges of the City University of New York	2,364,178,350	514,260,787	0	514,260,787
BOCES and School Districts	2,000,366,208	1,488,605,000	0	1,488,605,000
Judicial Facilities	2,161,277,717	731,557,717	0	731,557,717
New York State Departments of Health and Education and Other	4,793,390,000	3,258,425,000	0	3,258,425,000
Mental Health Services Facilities	6,368,100,000	3,823,725,000	0	3,823,725,000
New York State Taxable Pension Bonds	773,475,000	0	0	0
Municipal Health Facilities Improvement Program	<u>985,555,000</u>	<u>802,230,000</u>	<u>0</u>	<u>802,230,000</u>
Totals Public Programs	<u>\$ 44,932,008,036</u>	<u>\$ 20,347,960,351</u>	<u>\$ 0</u>	<u>\$ 20,347,960,351</u>

Non-Public Programs	Bonds Issued	Bonds Outstanding	Notes Outstanding	Bonds and Notes Outstanding
Independent Colleges, Universities and Other Institutions.....	\$ 16,700,711,020	\$ 8,225,813,995	\$184,725,000	\$ 8,410,538,995
Voluntary Non-Profit Hospitals.....	13,422,604,309	7,940,035,000	0	7,940,035,000
Facilities for the Aged.....	1,996,020,000	1,011,180,000	0	1,011,180,000
Supplemental Higher Education Loan Financing Program.....	<u>95,000,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals Non-Public Programs.....	<u>\$ 32,214,335,329</u>	<u>\$ 17,177,028,995</u>	<u>\$184,725,000</u>	<u>\$ 17,361,753,995</u>
Grand Totals Bonds and Notes	<u>\$ 77,146,343,365</u>	<u>\$ 37,524,989,346</u>	<u>\$184,725,000</u>	<u>\$ 37,709,714,346</u>

Outstanding Indebtedness of the Agency Assumed by the Authority

At December 31, 2008, the Agency had approximately \$381.9 million aggregate principal amount of bonds outstanding, the obligations as to all of which have been assumed by the Authority. The debt service on each such issue of bonds is paid from moneys received by the Authority (as successor to the Agency) or the trustee from or on behalf of the entity having facilities financed with the proceeds from such issue.

The total amounts of the Agency’s bonds (which indebtedness was assumed by the Authority on September 1, 1995) outstanding at December 31, 2008 were as follows:

Public Programs	Bonds Issued	Bonds Outstanding
Mental Health Services Improvement Facilities.....	\$ 3,817,230,725	\$ 0
Non-Public Programs	Bonds Issued	Bonds Outstanding
Hospital and Nursing Home Project Bond Program.....	\$ 226,230,000	\$ 3,255,000
Insured Mortgage Programs	6,625,079,927	370,965,939
Revenue Bonds, Secured Loan and Other Programs.....	<u>2,414,240,000</u>	<u>7,670,000</u>
Total Non-Public Programs.....	<u>\$ 9,265,549,927</u>	<u>\$ 381,890,939</u>
Total MCFFA Outstanding Debt.....	<u>\$ 13,082,780,652</u>	<u>\$ 381,890,939</u>

Governance

The Authority carries out its programs through an eleven-member board, a full-time staff of approximately 660 persons, independent bond counsel and other outside advisors. Board members include the Commissioner of Education of the State, the Commissioner of Health of the State, the State Comptroller or one member appointed by him or her who serves until his or her successor is appointed, the Director of the Budget of the State, one member appointed by the Temporary President of the State Senate, one member appointed by the Speaker of the State Assembly and five members appointed by the Governor, with the advice and consent of the Senate, for terms of three years. The Board member position that is filled by an appointment from the Temporary President of the State Senate is currently vacant. The Commissioner of Education of the State, the Commissioner of Health of the State and the Director of the Budget of the State each may appoint a representative to attend and vote at Authority meetings. The members of the Authority serve without compensation, but are entitled to reimbursement of expenses incurred in the performance of their duties.

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

The current members of the Authority are as follows:

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

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

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

John B. Johnson, Jr. was appointed as a Member of the Authority by the Governor on April 26, 2004. Mr. Johnson is Chairman of the Board and Chief Executive Officer of the Johnson Newspaper Corporation, which publishes the Watertown Daily Times, Batavia Daily News, Malone Telegram, Catskill Daily Mail, Hudson Register Star, Ogdensburg Journal, Massena-Potsdam Courier Observer, seven weekly newspapers and three shopping newspapers. He is director of the New York Newspapers Foundation, a member of the Development Authority of the North Country and the Fort Drum Regional Liaison Committee, a trustee of Clarkson University and president of the Bugbee Housing Development Corporation. Mr. Johnson has been a member of the American Society of Newspaper Editors since 1978, and was a Pulitzer Prize juror in 1978, 1979, 2001 and 2002. He holds a Bachelor's degree from Vanderbilt University, and Master's degrees in Journalism and Business Administration from the Columbia University Graduate School of Journalism and Business. Mr. Johnson was awarded an Honorary Doctor of Science degree from Clarkson University. Mr. Johnson's term expires on March 31, 2010.

JACQUES JIHA, Ph.D., Woodbury.

Jacques Jiha was appointed as a Member of the Authority by the Governor on December 15, 2008. Mr. Jiha is an Executive Vice President and the Chief Financial Officer of Earl G. Graves, Ltd., a multi-media company that includes *Black Enterprise* magazine. He is also a member of the Investment Advisory Committee of the New York Common Retirement Fund. Mr. Jiha has previously served as Deputy Comptroller for Pension Investment and Public Finance in the Office of the New York State Comptroller and as Co-Executive Director of the New York Local Government Assistance Corporation (LGAC). Prior thereto, Mr. Jiha was Nassau County Deputy Comptroller for Audits and Finances. He also worked for the New York City Office of the Comptroller in increasingly responsible positions: first as Chief Economist and later as Deputy Comptroller for Budget. Mr. Jiha has served as Executive Director of the New York State Legislative Tax Study Commission and as Principal Economist for the New York State Assembly Committee on Ways and Means. He holds a Ph.D. and a Master's degree in Economics from the New School University and a Bachelor's degree in Economics from Fordham University. His current term expires on March 31, 2010.

BRIAN RUDER, Scarsdale.

Mr. Ruder was appointed as a Member of the Authority on June 23, 2006. He is Chief Executive Officer of Skylight Partners, a strategic marketing and business development consulting group that he founded in 2001. Prior to Skylight Partners, Mr. Ruder served for four years as Executive Vice President of Global Marketing for Citigroup. He spent 16 years at the H.J. Heinz Co. in progressively responsible positions,

including President of Heinz USA, President of Weight Watchers Food Company and corporate Vice President of Worldwide Infant Feeding. He also served as Director of Marketing, New Products and Sales for Pepsi USA in the mid-1980s. Mr. Ruder is a member of the board of the New York State Foundation for Science, Technology and Academic Research (NYSTAR), and also serves as chair of the board of the Adirondack Council, board member and secretary of the New York Metro Chapter of the World Presidents' Organization, and an advisory board member of PNC Private Client Advisors. Mr. Ruder earned a Bachelor of Arts degree in American History in 1976 from Washington University in St. Louis, Mo., and a Master of Business Administration degree in Marketing in 1978 from the Tuck School at Dartmouth College. His current term expires on March 31, 2009.

ANTHONY B. MARTINO, CPA, Buffalo.

Mr. Martino was appointed as a Member of the Authority by the Governor on April 26, 2004. A certified public accountant with more than 37 years of experience, Mr. Martino is a retired partner of the Buffalo CPA firm Lumsden & McCormick, LLP. He began his career at Price Waterhouse where he worked in the firm's Buffalo and Washington, DC, offices. Mr. Martino is a member of the American Institute of CPAs and the New York State Society of CPAs. Long involved in community organizations, he serves on the boards of the Buffalo Niagara Medical Campus as Vice Chairman, Mount Calvary Cemetery as Chair of the Investment Committee, Cradle Beach Camp of which he is a former Chair, the Kelly for Kids Foundation and Key Bank. Mr. Martino received a Bachelor of Science degree in accounting from the University at Buffalo. Mr. Martino's current term expires on August 31, 2010.

SANDRA M. SHAPARD, Delmar.

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

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

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

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

Dr. Mills became Commissioner of Education on September 12, 1995. Prior to his appointment, Dr. Mills served as Commissioner of Education for the State of Vermont since 1988. From 1984 to 1988, Dr.

Mills was Special Assistant to Governor Thomas H. Kean of New Jersey. Prior to 1984, Dr. Mills held a number of positions within the New Jersey Department of Education. Dr. Mills' career in education includes teaching and administrative experience at the secondary and postsecondary education levels. Dr. Mills holds a Bachelor of Arts degree from Middlebury College and a Master of Arts, a Master of Business Administration and a Doctor of Education degree from Columbia University.

LAURA L. ANGLIN, *Budget Director of the State of New York, Albany; ex-officio.*

Ms. Anglin was appointed Budget Director on January 1, 2008. As Budget Director, she is responsible for the overall development and management of the State's fiscal policy, including overseeing the preparation of budget recommendations for all State agencies and programs, economic and revenue forecasting, tax policy, fiscal planning, capital financing and management of the State's debt portfolio, as well as pensions and employee benefits. Ms. Anglin previously served as First Deputy Budget Director from January 2007 to December 2007. She was appointed Deputy Comptroller of the Division of Retirement Services in January 2003 and was responsible for overseeing the administration and managing the operations of the New York State and Local Retirement System. From 1996-2003, Ms. Anglin worked in the New York State Assembly where she served as Director of Budget Studies for the Assembly Ways and Means Committee and as First Deputy Fiscal Director for the Committee. Ms. Anglin has also held the position of Econometrician in the Department of Taxation and Finance from 1992-1996 and began her career as an Economist for the Department of Environmental Conservation. Ms. Anglin holds a Bachelor of Arts degree and a Masters degree in Economics from the State University of New York at Albany.

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

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

The principal staff of the Authority is as follows:

PAUL T. WILLIAMS, JR. is the Executive Director and chief administrative and operating officer of the Authority. Mr. Williams is responsible for the overall management of the Authority's administration and operations. He most recently served as Senior Counsel in the law firm of Nixon Peabody LLP. Prior to working at Nixon Peabody, Mr. Williams helped to establish a boutique Wall Street investment banking company. Prior thereto, Mr. Williams was a partner in, and then of counsel to, the law firm of Bryan Cave LLP. He was a founding partner in the law firm of Wood, Williams, Rafalsky & Harris, which included a practice in public finance and served there from 1984-1998. Mr. Williams began his career as an associate at the law firm of Walker & Bailey in 1977 and thereafter served as a counsel to the New York State Assembly. Mr. Williams is licensed to practice law in the State of New York and holds professional licenses in the securities industry. He holds a Bachelor's degree from Yale University and a Juris Doctor degree from Columbia University School of Law.

MICHAEL T. CORRIGAN is the Deputy Executive Director of the Authority, and assists the Executive Director in the administration and operation of the Authority. Mr. Corrigan came to the Authority in 1995 as Budget Director, and served as Deputy Chief Financial Officer from 2000 until 2003. He began his government service career in 1983 as a budget analyst for Rensselaer County, and served as the County's Budget Director from 1986 to 1995. Immediately before coming to the Authority, he served as the appointed

Rensselaer County Executive for a short period. Mr. Corrigan holds a Bachelor's degree in Economics from the State University of New York at Plattsburgh and a Master's degree in Business Administration from the University of Massachusetts.

PORTIA LEE is the Managing Director of Public Finance and Portfolio Monitoring. She is responsible for supervising and directing Authority bond issuance in the capital markets, through financial feasibility analysis and financing structure determination for Authority clients; as well as implementing and overseeing financing programs, including interest rate exchange and similar agreements; overseeing the Authority's compliance with continuing disclosure requirements and monitoring the financial condition of existing Authority clients. Ms. Lee previously served as Senior Investment Officer at the New York State Comptroller's Office where she was responsible for assisting in the administration of the long-term fixed income portfolio of the New York State Common Retirement Fund, as well as the short-term portfolio, and the Securities Lending Program. From 1995 to 2005, Ms. Lee worked at Moody's Investors Service where she most recently served as Vice President and Senior Credit Officer in the Public Finance Housing Group. In addition, Ms. Lee has extensive public service experience working for over 10 years in various positions in the Governor's Office, NYS Department of Social Services, as well as the New York State Assembly. She holds a Bachelor's degree from the State University of New York at Albany.

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

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

STEPHEN D. CURRO, P.E. is the Managing Director of Construction. In that capacity, he is responsible for the Authority's construction groups, including design, project management, purchasing, contract administration, interior design, and engineering and other technology services. Mr. Curro joined the Authority in 2001 as Director of Technical Services, and most recently served as Director of Construction Support Services. He is a registered Professional Engineer in New York and Rhode Island and has worked in the construction industry for over 20 years as a consulting structural engineer and a technology solutions provider. Mr. Curro is also an Adjunct Professor at Hudson Valley Community College and Bryant & Stratton College. He holds a Bachelor of Science in Civil Engineering from the University of Rhode Island, a Master of Engineering in Structural Engineering from Rensselaer Polytechnic Institute and a Master of Business Administration from Rensselaer Polytechnic Institute's Lally School of Management.

CARRA WALLACE is the Managing Director of the Office of Executive Initiatives (OEI). In that capacity, she oversees the Authority's Communications and Marketing, Opportunity Programs, Environmental Initiatives, Client Outreach, Training, Executive Projects, and Legislative Affairs units. Ms. Wallace is responsible for strategic efforts in developing programs, maximizing the utilization of Minority and Women Owned Businesses, and communicating with Authority clients, the public and governmental officials. She possesses more than twenty years of senior leadership experience in diverse private sector businesses and civic organizations. Ms. Wallace most recently served as Executive Vice President at Telwares, a major telecommunications service firm. Prior to her service at Telwares, Ms. Wallace served as Executive Vice President of External Affairs at the NYC Leadership Academy. She holds a Bachelor of Science degree in management from the Pepperdine University Graziadio School of Business and Management.

Claims and Litigation

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

Other Matters

New York State Public Authorities Control Board

The New York State Public Authorities Control Board (the "PACB") has authority to approve the financing and construction of any new or reactivated projects proposed by the Authority and certain other public authorities of the State. The PACB approves the proposed new projects only upon its determination that there are commitments of funds sufficient to finance the acquisition and construction of the projects. The Authority has obtained the approval of the PACB for the issuance of the Series 2009 Bonds.

Legislation

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

Environmental Quality Review

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

Independent Auditors

The accounting firm of KPMG LLP audited the financial statements of the Authority for the fiscal year ended March 31, 2008. Copies of the most recent audited financial statements are available upon request at the offices of the Authority.

PART 10 - LEGALITY OF THE SERIES 2009 BONDS FOR INVESTMENT AND DEPOSIT

Under New York State law, the Series 2009 Bonds are securities in which all public officers and bodies of the State and all municipalities and municipal subdivisions, all insurance companies and associations, all savings banks and savings institutions, including savings and loan associations, administrators, guardians, executors, trustees, committees, conservators and other fiduciaries in the State may properly and legally invest funds in their control.

The Series 2009 Bonds may be deposited with the State Comptroller to secure deposits of State moneys in banks, trust companies and industrial banks.

PART 11 - NEGOTIABLE INSTRUMENTS

The Series 2009 Bonds shall be negotiable instruments as provided in the Act, subject to the provisions for registration and transfer contained in the Resolutions and in the Series 2009 Bonds.

PART 12 - TAX MATTERS

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements that must be met at and subsequent to the issuance and delivery of the Series 2009 Bonds in order that interest on the Series 2009 Bonds will be and remain not includable in gross income under Section 103 of the Code. Included among these continuing requirements are certain restrictions and prohibitions on the use of proceeds of the Series 2009 Bonds and the facilities financed by such proceeds, restrictions on the investment of such proceeds and other amounts, the rebate to the United States of certain earnings with respect to investments and the required ownership by a Section 501(c)(3) organization or a governmental unit of the facilities financed by the Series 2009 Bonds. Failure to comply with the continuing requirements may cause interest on the Series 2009 Bonds to be includable in gross income for federal income tax purposes retroactive to the date of their issuance irrespective of the date on which such noncompliance occurs. In the Resolution, the Loan Agreement and in other documents and certificates contained in the transcript of proceedings, the Authority and the Institution have covenanted to comply with certain procedures, and have made certain representations and certifications, designed to assure compliance with the requirements of the Code.

In the opinion of Winston & Strawn LLP, New York, New York (“Bond Counsel”), based upon an analysis of existing statutes, regulations, rulings and court decisions, interest on the Series 2009 Bonds is not includable in gross income for federal income tax purposes, assuming continuing compliance by the Authority and the Institution (and their successors) with the covenants, and the accuracy of the representations (as to which Bond Counsel has made no independent investigation) referenced above. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix E hereto.

In addition, Bond Counsel has relied on, among other things, the opinion of Garfunkel, Wild & Travis, P.C., counsel to the Institution regarding the current status of the Institution as an organization described in Section 501(c)(3) of the Code, which opinion is subject to a number of qualifications and limitations. Neither Bond Counsel nor counsel to the Institution can give or has given any opinion or assurance about the future activities the Institution, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the resulting changes in enforcement thereof by the Internal Revenue Service (“IRS”). Failure of the Institution to be organized and operated in accordance with the Internal Revenue Service’s requirements for the maintenance of its status as an organization described in Section 501(c)(3) of the Code, or to operate the facilities financed by the Series 2009 Bonds in a manner that is substantially related to the Institution’s charitable purpose under Section 513(a) of the Code, may result in interest payable with respect to the Series 2009 Bonds being included in federal gross income, possibly from the date of the original issuance of the Series 2009 Bonds. Bond Counsel will not independently verify the accuracy of the opinion of counsel to the Institution and will not independently verify the accuracy of the Authority’s and the Institution’s certifications and representations or the continuing compliance with the Authority’s and the Institution’s covenants.

Certain requirements and procedures contained or referred to in the Series 2009 Resolution, the Loan Agreement and other relevant documents may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Series 2009 Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Winston & Strawn LLP.

Bond Counsel is further of the opinion that interest on the Series 2009 Bonds is not an “item of tax preference” for purposes of the federal alternative minimum tax on individuals and corporations. However, interest on the Series 2009 Bonds owned by corporations (other than S corporations, Regulated Investment

Companies, Real Estate Investment Trusts, Real Estate Mortgage Investment Conduits and Financial Asset Securitization Investment Trusts) will be included in the calculation of adjusted current earnings, a portion of which is an adjustment to corporate alternative minimum taxable income for purposes of calculating the alternative minimum tax imposed on corporations (but not individuals). Corporate purchasers of the Series 2009 Bonds should consult their tax advisors concerning the computation of any alternative minimum tax.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel's legal judgment as to exclusion of interest on the Series 2009 Bonds from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the IRS or any court. Bond Counsel expresses no opinion about (i) the effect of future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and the enforcement of the Code or those regulations by the IRS.

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Series 2009 Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification", or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding", which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Series 2009 Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Series 2009 Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the IRS.

Certain maturities of the Series 2009 Bonds are initially offered to the public at prices less than the principal amount thereof payable at maturity. If the first price at which a substantial amount of the Series 2009 Bonds of the same maturity is sold in the initial offering to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) is less than the principal amount thereof payable at maturity, the difference between such price and principal amount constitutes original issue discount with respect to each Series 2009 Bond of the same maturity (the "Discount Bonds"). Bond Counsel is of the opinion that original issue discount, as it accrues, is excludable from gross income for federal income tax purposes and is subject to the alternative minimum tax to the same extent as is interest on the Series 2009 Bonds. Original issue discount accrues in each taxable year over the term of the Discount Bonds under the "constant yield method" described in regulations interpreting Section 1272 of the Code, with certain adjustments. Original issue discount may be treated as continuing to accrue in each taxable year even if payment of the Discount Bonds becomes doubtful. Accruals of original issue discount are treated as tax-exempt interest earned by owners on the accrual basis of tax accounting and as tax-exempt interest received by owners on the cash basis of tax accounting (with possible tax consequences under the alternative minimum tax, as described above) even though no cash corresponding to the accrual is received in the year of accrual. The tax basis of a Discount Bond if held by an original purchaser, can be determined by adding to such owner's purchase price of such Discount Bond the original issue discount that has accrued. Holders of Discount Bonds should consult their own tax advisors with respect to the calculation of the amount of the original issue discount that will be treated for federal income tax purposes as having accrued for any taxable year (or portion thereof) of such owners and with respect to other federal, state and local tax consequences of owning and disposing of the Discount Bonds.

Certain maturities of the Series 2009 Bonds are initially offered to the public at prices in excess of their principal amounts (the “Premium Series 2009 Bonds”). An initial purchaser (other than a purchaser who holds such Series 2009 Bonds as inventory, stock in trade or for sale to customers in the ordinary course of business) with an initial adjusted basis in a Premium Series 2009 Bond in excess of its principal amount will have amortizable bond premium that is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of such Premium Series 2009 Bond based on the purchaser’s yield to maturity (or, in the case of Premium Series 2009 Bonds callable prior to their maturity, over the period to the call date, based on the purchaser’s yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Series 2009 Bond, an initial purchaser is required to decrease such purchaser’s adjusted basis in such Premium Series 2009 Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning Premium Series 2009 Bonds. Owners of Premium Series 2009 Bonds are advised that they should consult with their own advisors with respect to the federal, state and local tax consequences of owning Premium Series 2009 Bonds.

Prospective purchasers of the Series 2009 Bonds should be aware that ownership of, accrual or receipt of interest on, or disposition of tax-exempt obligations may have collateral federal income tax consequences for certain taxpayers, including financial institutions, certain subchapter S corporations, United States branches of foreign corporations, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, taxpayers eligible for the earned income credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. 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 2009 Bonds. Bond Counsel expresses no opinion regarding any such collateral consequences.

In the opinion of Bond Counsel, the interest on the Series 2009 Bonds is exempt under existing statutes from personal income taxes imposed by the State of New York and its political subdivisions (including The City of New York).

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series 2009 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2009 Bonds. Future tax legislation, administrative actions taken by tax authorities, and court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Series 2009 Bonds under federal or state law and could affect the market price or marketability of the Series 2009 Bonds. Prospective purchasers of the Series 2009 Bonds should consult their own tax advisers regarding any pending or proposed federal or state tax legislation and prospective purchasers of the Series 2009 Bonds at other than their original issuance at the respective prices indicated on the inside cover of this Official Statement should also consult their own tax advisers regarding other tax considerations such as the consequences of market discount, as to all of which Bond Counsel expresses no opinion.

Bond Counsel’s engagement with respect to the Series 2009 Bonds ends with the issuance of the Series 2009 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority, the Institution or the beneficial owners regarding the tax status of interest on the Series 2009 Bonds in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includable in gross income for federal income tax purposes. If the IRS does audit the Series 2009 Bonds, under current IRS procedures, the IRS will treat the Authority as the taxpayer and the beneficial owners of the Series 2009 Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including but not limited to selection of the Series 2009 Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market prices for the Series 2009 Bonds.

PART 13 - STATE NOT LIABLE ON THE SERIES 2009 BONDS

The Act provides that notes and Series 2009 Bonds of the Authority shall not be a debt of the State nor shall the State be liable thereon, nor shall such notes or Series 2009 Bonds be payable out of any funds other than those of the Authority. The Resolution specifically provides that the Series 2009 Bonds shall not be a debt of the State nor shall the State be liable thereon.

PART 14 - COVENANT BY THE STATE

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

PART 15 - LEGAL MATTERS

Certain legal matters incidental to the authorization and issuance of the Series 2009 Bonds by the Authority are subject to the approval of Winston & Strawn LLP, New York, New York, Bond Counsel to the Authority, whose approving opinion will be delivered with the Series 2009 Bonds. The proposed form of Bond Counsel's opinion is set forth in Appendix E hereto.

Certain legal matters will be passed upon for the Institution by its counsel, Garfunkel, Wild & Travis, P.C., Great Neck, New York, for the Bank by its counsel, Harris Beach PLLC, Albany, New York, and for the Underwriter by its counsel, Hawkins Delafield & Wood LLP, New York, New York.

There is not now pending any litigation restraining or enjoining the issuance or delivery of the Series 2009 Bonds or questioning or affecting the validity of the Series 2009 Bonds or the proceedings and authority under which they are to be issued. There is no litigation pending which in any manner questions the right of the Authority to finance the Project in accordance with the provisions of the Act, the Resolution and the Loan Agreement.

PART 16 - CONTINUING DISCLOSURE

In order to assist the Underwriter in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as amended ("Rule 15c2-12"), the Institution has undertaken in a written agreement (the "Continuing Disclosure Agreement") for the benefit of the Bondholders to provide to Digital Assurance Certification LLC ("DAC"), on behalf of the Authority as the Authority's disclosure dissemination agent, on or before 165 days after the end of each fiscal year, commencing with the fiscal year of the Institution ending December 31, 2008, for filing by DAC with each Nationally Recognized Municipal Securities Information Repository (each a "NRMSIR") designated by the Securities and Exchange Commission in accordance with Rule 15c2-12 (each a "Repository"), and if and when one is established, the New York State Information Depository (the "State Information Depository"), on an annual basis, operating data and financial information of the type hereinafter described which is included in "PART 5 - THE BRONX-LEBANON HOSPITAL CENTER" of this Official Statement (the "Annual Information"), together with the Institution's annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America and audited by an independent firm

of certified public accountants in accordance with auditing standards generally accepted in the United States of America; provided, however, that if audited financial statements are not then available, unaudited financial statements shall be delivered to DAC for delivery to each Repository and to the State Information Depository when they become available.

If, and only if, and to the extent that it receives the Annual Information and annual financial statements described above from the Institution, DAC has undertaken in the Continuing Disclosure Agreement, on behalf of and as agent for the Institution and the Authority, to file such information and financial statements, as promptly as practicable, but no later than three Business Days after receipt of the information by DAC from the Institution, with each such Repository and to the State Information Depository.

The Institution also will undertake in the Continuing Disclosure Agreement to provide to the Authority, the Trustee and DAC, in a timely manner, the notices required to be provided by Rule 15c2-12 and described below (the “Notices”). In addition, the Authority and the Trustee have undertaken, for the benefit of the Bondholders, to provide such notices to DAC, should they have actual knowledge of the occurrence of a Notice Event (as hereinafter defined). Upon receipt of Notices from the Institution, the Trustee or the Authority, DAC will file the Notices with each such Repository or to the Municipal Securities Rulemaking Board (the “MSRB”), and the State Information Depository, in a timely manner. With respect to the Series 2009 Bonds, DAC has only the duties specifically set forth in the Continuing Disclosure Agreement. DAC’s obligation to deliver the information at the times and with the contents described in the Continuing Disclosure Agreement is limited to the extent the Institution has provided such information to DAC as required by the Continuing Disclosure Agreement. DAC has no duty with respect to the content of any disclosure or Notices made pursuant to the terms of the Continuing Disclosure Agreement and DAC has no duty or obligation to review or verify any information contained in the Annual Information, audited financial statements, Notices or any other information, disclosures or notices provided to it by the Institution, Trustee or the Authority and shall not be deemed to be acting in any fiduciary capacity for the Authority, the Trustee, the Institution, the holders of the Series 2009 Bonds or any other party. DAC has no responsibility for the Authority’s failure to provide to DAC a Notice required by the Continuing Disclosure Agreement or duty to determine the materiality thereof. DAC shall have no duty to determine or liability for failing to determine whether the Institution, the Trustee or the Authority has complied with the Continuing Disclosure Agreement and DAC may conclusively rely upon certifications of the Institution, the Trustee, and the Authority with respect to their respective obligations under the Continuing Disclosure Agreement. In the event the obligations of DAC as the Authority’s disclosure dissemination agent terminate, the Authority will either appoint a successor disclosure dissemination agent or, alternatively, assume all responsibilities of the disclosure dissemination agent for the benefit of the Bondholders.

The Annual Information means annual information concerning the Institution which consists of (a) financial and operating data of the type included in this Official Statement for the Institution, which shall include information as described in “PART 5 - THE BRONX-LEBANON HOSPITAL CENTER” herein relating to the following: (i) utilization statistics of the type set forth under the headings “Utilization Data” and “Sources of Patient Service Revenue and Reimbursement Methodologies” and (ii) revenue and expense data of the type set forth under the headings “Summary of Historical Revenues and Expenses” and “Management’s Discussion of Utilization” and (b) a narrative explanation as may be necessary to avoid misunderstanding, and to assist the reader in understanding the presentation of financial and operating data concerning the Institution and in judging the financial and operating condition of the Institution.

The Notices include notices of any of the following events (each a “Notice Event”) with respect to the Series 2009 Bonds, if material: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the Series 2009 Bonds; (7) modifications to the rights of holders of the Series 2009 Bonds; (8) bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Series 2009 Bonds; and (11) rating

changes. In addition, DAC will undertake, for the benefit of the Holders of the Series 2009 Bonds, to provide to each Repository or the MSRB and to the State Information Depository, in a timely manner, notice of any failure by the Institution to provide the Annual Information and annual financial statements by the date required in the Institution's undertaking described above.

The sole and exclusive remedy for breach or default under the Continuing Disclosure Agreement to provide continuing disclosure described above is an action to compel specific performance of the undertaking of DAC, the Institution, the Trustee and/or the Authority, and no person, including any Holder of the Series 2009 Bonds, may recover monetary damages thereunder under any circumstances. The Authority, the Trustee or the Institution may be compelled to comply with their respective obligations under the Continuing Disclosure Agreement (i) in the case of enforcement of their obligations to provide information required thereunder, by any Holder of Outstanding Series 2009 Bonds or by the Trustee on behalf of the Holders of Outstanding Series 2009 Bonds or (ii) in the case of challenges to the adequacy of the information provided, by the Trustee on behalf of the Holders of the Series 2009 Bonds; provided, however, that the Trustee is not required to take any enforcement action except at the direction of the Holders of not less than 25% in aggregate principal amount of Series 2009 Bonds at the time Outstanding. A breach or default under the Continuing Disclosure Agreement shall not constitute an Event of Default under the Resolution, the Series 2009 Resolution, the Loan Agreement, the Mortgage or the Reimbursement Agreement. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the Continuing Disclosure Agreement, insofar as the provision of Rule 15c2-12 no longer in effect required the providing of such information, shall no longer be required to be provided.

The foregoing undertaking is intended to set forth a general description of the type of financial information and operating data that will be provided; the description is not intended to state more than general categories of financial information and operating data; and where an undertaking calls for information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect will be provided. The Continuing Disclosure Agreement, however, may be amended or modified without consent of the holders of Series 2009 Bonds under certain circumstances set forth therein. Copies of the agreement when executed by the parties thereto upon the delivery of the Series 2005 Bonds will be on file at the principal office of the Authority.

PART 17 - RATINGS

The Series 2009 Bonds are expected to be rated "Aa2" by Moody's Investors Service, Inc. ("Moody's"). Such rating reflects the issuance of the Letter of Credit to secure the Series 2009 Bonds. Moody's currently rates the Bank's long-term obligations "Aa2". On November 21, 2008, Moody's placed the Bank on negative watch. Such credit ratings and action reflect only the view of Moody's and an explanation of the significance of such credit ratings and action may be obtained from Moody's. There is no assurance that such credit ratings will continue for any given period of time or that they will not be revised or withdrawn entirely by Moody's, if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of any such credit ratings may have an adverse effect on the market price of the Series 2009 Bonds.

PART 18 - UNDERWRITING

The Underwriter has agreed, subject to certain conditions, to purchase the Series 2009 Bonds from the Authority at an aggregate purchase price of \$35,907,913.13 and to make a public offering of Series 2009 Bonds at prices that are not in excess of the public offering prices and at yields that are not lower than the yields stated on the inside cover page of this Official Statement plus accrued interest. The Underwriter will be obligated to purchase all such Series 2009 Bonds if any are purchased.

The Series 2009 Bonds may be offered and sold to certain dealers (including the Underwriter) at prices lower or yields higher than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriter.

PART 19 - MISCELLANEOUS

References in this Official Statement to the Act, the Resolution, the Series 2009 Resolution, the Letter of Credit, the Assignment Agreement, the Reimbursement Agreement, the Loan Agreement and the Mortgage do not purport to be complete. Refer to the Act, the Resolution, the Series 2009 Resolution, the Letter of Credit, the Assignment Agreement, the Reimbursement Agreement, the Loan Agreement and the Mortgage for full and complete details of their provisions. Copies of the Resolution, the Series 2009 Resolution, the Letter of Credit, the Assignment Agreement, the Reimbursement Agreement, the Loan Agreement and the Mortgage are on file with the Authority and the Trustee.

The agreements of the Authority with Holders of the Series 2009 Bonds are fully set forth in the Resolutions. Neither any advertisement of the Series 2009 Bonds nor this Official Statement is to be construed as a contract with purchasers of the Series 2009 Bonds.

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

The information regarding the Institution, General Factors Affecting the Institution's Revenues and the Plan of Finance was supplied by the Institution. The Authority believes that this information is reliable, but the Authority and the Underwriter make no representations or warranties whatsoever as to the accuracy or completeness of this information.

The Bank has reviewed the information in this Official Statement describing the Letter of Credit, the Reimbursement Agreement and the Bank. The Bank shall certify as of the date of delivery of the Series 2009 Bonds that such information is true and correct provided, however, that the financial information relating to the Bank fairly presents the financial condition of the Bank only as of the dates and for the periods indicated and, to the best knowledge of the Bank, there has been no material adverse change in the financial condition, taken as a whole, of the Bank since such dates. The Bank makes no representations as to the accuracy or completeness of any other information included in this Official Statement.

"Appendix A - Definitions", "Appendix C - Summary of Certain Provisions of the Loan Agreement," "Appendix D - Summary of Certain Provisions of the Resolutions", and "Appendix E - Form of Approving Opinion of Bond Counsel", have been reviewed by Winston & Strawn LLP, Bond Counsel to the Authority.

"Appendix B - Audited Financial Statements of The Bronx-Lebanon Hospital Center for the Year Ended December 31, 2007 with Report of Independent Auditors" contains the audited financial statements of the Institution for the year ended December 31, 2007 and the report of the Institution's independent accountants, Loeb & Troper LLP, on such financial statements.

The Institution has reviewed the parts of this Official Statement describing the debt service requirements for the Series 2009 Bonds and the Series 2006 Bonds, the Institution, the Plan of Finance, the Estimated Sources and Uses of Funds, General Factors Affecting the Institution's Revenues and Appendix B. It is a condition to the sale and delivery of the Series 2009 Bonds that the Institution certify as of the dates of sale and delivery of the Series 2009 Bonds that such parts do not contain any untrue statement of a material fact and do not omit any material fact necessary to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading.

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

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

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

By: /s/ Paul T. Williams, Jr.
Authorized Officer

DEFINITIONS

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DEFINITIONS

The following are definitions of certain of the terms defined in the Resolution or Loan Agreement and used in this Official Statement.

2006 Loan Agreement means that certain Loan Agreement, dated as of October 25, 2006, as amended by that certain First Amendment to Loan Agreement, by and between the Authority and the Institution.

Account Control Agreement means the Blocked Account Control Agreement, dated as of January 18, 2007, by and among the Authority, the Institution and J.P. Morgan Securities Inc. relating to the disposition of amounts on deposit in the Pledge Fund, as from time to time amended or supplemented.

Act means the Dormitory Authority Act (being Chapter 524 of the Laws of 1944 of the State, as amended, and constituting Titles 4 and 4-B of Article 8 of the Public Authorities Law, as amended);

Alternative Parity Indebtedness means any indebtedness issued by the Institution or any other issuer on behalf of the Institution as permissible pursuant to the Loan Agreement and secured equally and ratably with the Bonds by the Mortgaged Property and/or the Gross Receipts;

Annual Administrative Fee means the fee payable during each Bond Year for the general administrative and supervisory expenses of the Authority as more particularly described in Exhibit C attached to the Loan Agreement and made a part thereof;

Arbitrage Rebate Fund means the fund so designated, created and established pursuant to the Resolution;

Assignment means the Assignment Agreement initially among TD Bank, N.A., as the Credit Facility Provider with respect to the initial Series of Bonds issued under the Resolution, the Trustee and the Authority, together with their successors and assigns, in connection with the rights and remedies of such parties in respect of the Mortgage, the Mortgaged Property, the Gross Receipts and certain other moneys held under the Resolution, as from time to time amended or supplemented;

Authority means the Dormitory Authority of the State of New York, a body corporate and politic constituting a public benefit corporation of the State created by the Act, or any body, agency or instrumentality of the State which shall succeed to the rights, powers, duties and functions of the Authority after the date of the Resolution;

Authority Fee means the fee payable to the Authority consisting of all of the Authority's internal costs and overhead expenses attributable to the issuance of the Bonds and the construction of the Project, as more particularly described in Exhibit D attached to the Loan Agreement and made a part thereof;

Authorized Newspaper means *The Bond Buyer* or any other newspaper of general circulation printed in the English language and customarily published at least once a day for at least five days (other than legal holidays) in each calendar week in the Borough of Manhattan, City and State of New York, designated by the Authority;

Authorized Officer means (i) in the case of the Authority, a person that serves as any of Chair, Vice Chair, Secretary and Assistant Secretary, Treasurer and Assistant Treasurer, Executive Director, Deputy Executive Director, Chief Financial Officer, Managing Director of Public Finance, Managing Director of Construction, Managing Director of Portfolio Management, General Counsel and when used with reference to

any act or document also means any other person authorized by a resolution or the by-laws of the Authority to perform such act or execute such document; (ii) in the case of the Institution, the person or persons authorized by a resolution or the by-laws of the Institution to perform any act or execute any document; (iii) in the case of the Trustee, (a) any officer within the corporate trust department of the Trustee, including any Vice President, Assistant Vice President, Assistant Secretary, Assistant Treasurer, Trust Officer or any other officer of the Trustee who customarily performs functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of such persons knowledge of and familiarity with the particular subject and (b) who shall have direct responsibility for the administration of this Resolution; and (iv) in the case of a Credit Facility Provider, a Vice President, a Senior Vice President, an Assistant Vice President, a Director, a Managing Director, an Executive Vice President, and the President of the Credit Facility Provider, and when used with reference to any act or document also means any other person authorized to perform any act or sign any document by or pursuant to a resolution of the Board of Directors of the Credit Facility Provider or the by-laws of the Credit Facility Provider;

Available Moneys means (1) proceeds of any Series of Bonds, including, without limitation, Refunding Bonds, or proceeds of bonds, notes or other obligations issued to refund Bonds provided that, as to such proceeds, an opinion of counsel acceptable to each Rating Service and experienced in bankruptcy matters is delivered to the Trustee and each Rating Service then rating the Bonds to the effect that the payment of such proceeds to the holders of the Bonds would not constitute transfers avoidable under 11 U.S.C. § 547(b) and recoverable from the holders of the Bonds under 11 U.S.C. § 550(a) should the Authority or the Institution be the debtor in a case under the Bankruptcy Code; (2) moneys derived from drawings under any Credit Facility and the investment earnings thereon that are not commingled with any other moneys, (3) moneys held by the Trustee (other than in the Arbitrage Rebate Fund or the Credit Facility Provider Repayment Fund) and subject to a first-priority perfected lien under the Resolution for a period of at least 123 days and not commingled with any moneys so held for less than said period and during which period no petition in bankruptcy was filed by or against, and no receivership, insolvency, assignment for the benefit of creditors or other similar proceeding has been commenced by or against, the Authority or the Institution unless such petition or proceeding was dismissed and all applicable appeal periods have expired without an appeal having been filed, and the investment earnings thereon, that are not commingled with any other moneys, or (4) any moneys as to which an opinion of counsel acceptable to each Rating Service and experienced in bankruptcy matters is delivered to the Trustee and each Rating Service then rating the Bonds to the effect that the payment of such moneys to the holders of the Bonds would not constitute transfers avoidable under 11 U.S.C. § 547(b) and recoverable from the holders of the Bonds under 11 U.S.C. § 550(a) should the Authority or the Institution be the debtor in a case under the Bankruptcy Code;

Bond or Bonds means any of the bonds of the Authority authorized and issued pursuant to the Resolution and to a Series Resolution;

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

Bond Counsel means an attorney or a law firm appointed by the Authority, having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds;

Bond Year means, unless otherwise stated in the Applicable Series Resolution, a period of twelve (12) consecutive months beginning February 15 in any calendar year and ending on February 14 of the succeeding calendar year;

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

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

Business Day means any day other than a Saturday, Sunday, or a legal holiday in the State or any other day on which banking institutions chartered under the laws of the State or of the United States of America are authorized or required by law to close in The City of New York or the City of Albany, New York, or a day on which the New York Stock Exchange, the office of a Credit Facility Provider at which drafts are to be presented under the Credit Facility, or the corporate trust office of the Trustee is authorized to be closed;

Code means the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder;

Commissioner of Health shall mean the Commissioner of Health of the State of New York or any board, agency or body which shall hereafter succeed to the powers, functions and duties of the Commissioner;

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

Contract Documents means any general contract or agreement for the construction, repair, replacement or restoration of the Project, notice to bidders, information for bidders, form of bid, general conditions, supplemental general conditions, general requirements, supplemental general requirements, bonds, plans and specifications, addenda, change orders, and any other documents entered into or prepared by or on behalf of the Institution relating to the construction, repair, replacement or restoration of the Project, and any amendments to the foregoing.

Contribution Amounts means amounts received by the Institution and deposited in a Construction Fund or Debt Service Fund pursuant to the Loan Agreement, and which amounts shall constitute Revenues;

Cost or Costs of Issuance means the items of expense incurred in connection with the authorization, sale and issuance of the Bonds, which items of expense shall include, but not be limited to, document printing and reproduction costs, filing and recording fees, costs of credit ratings, initial fees and charges of the Trustee and any Credit Facility Provider, legal fees and charges, professional consultants' fees, fees and charges for execution, transportation and safekeeping of Bonds, premiums, fees and costs in connection with obtaining the Credit Facility, costs and expenses of refunding Bonds or other bonds or notes of the Authority, costs and expenses incurred pursuant to a Mortgage, costs and expenses incurred pursuant to a remarketing agreement and other costs, charges and fees, including those of the Authority, in connection with the foregoing;

Cost or Costs of the Project means the costs and expenses or the refinancing of costs and expenses determined by the Authority to be necessary in connection with a Project and approved by the Commissioner of Health, to the extent required by law, including, but not limited to, (i) costs and expenses of the acquisition of the title to (including premiums and other charges in connection with obtaining title insurance) or other interest in real property, including easements, rights-of-way and licenses, (ii) costs and expenses incurred for labor and materials and payments to contractors, builders and materialmen, for the acquisition, construction, reconstruction, rehabilitation, renovation, repair and improvement of the Project, (iii) the cost of surety bonds and insurance of all kinds that may be required or necessary prior to completion of the Project, which is not paid by a contractor or otherwise provided for, (iv) the costs and expenses for design, test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, and for supervising construction of the Project, (v) costs and expenses required for the acquisition and installation of equipment or machinery, (vi) all other costs which the Institution shall be required to pay or cause to be paid for the acquisition, construction, reconstruction, rehabilitation, repair, improvement and equipping of the Project, (vii) any sums required to reimburse the Institution or the Authority for advances made by them for any of the above items or for other costs incurred and for work done by them in connection with the Project (including interest on moneys borrowed from parties other than the Institution), (viii) interest on the Bonds prior to, during and for a reasonable period after completion of the acquisition, construction, reconstruction, rehabilitation, renovation,

repair, improvement or equipping of the Project, and (ix) fees, expenses and liabilities of the Authority incurred in connection with the Project, a Mortgage, the issuance of the Bonds or pursuant to the Resolution or to the Loan Agreement;

Credit Facility means (i) an irrevocable direct-pay letter of credit issued and delivered to the Trustee, by one or more of a bank, a national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, or a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, or an insurance policy or any other instrument providing credit enhancement issued and delivered to the Trustee with respect to a Series of Bonds on the date of issuance of the Series of Bonds (including any extension thereof) and (ii) upon the issuance of a Substitute Credit Facility, such Substitute Credit Facility;

Credit Facility Account means each such account authorized to be created pursuant to the Resolution in the Debt Service Fund with respect to a Series of Bonds;

Credit Facility Provider means, so long as the Credit Facility issued by a Credit Facility Provider has not expired or been terminated, the issuer of a Credit Facility with respect to a Series of Bonds and, following the issuance of a Substitute Credit Facility, the issuer of a Substitute Credit Facility;

Credit Facility Provider Default means any one of the following events:

the institution of insolvency proceedings by or against the Credit Facility Provider under any bankruptcy act or any similar law which may be hereafter enacted (an “Insolvency”), unless such petition shall have been dismissed and such dismissal shall be final and not subject to appeal; provided, that if any such petition is filed against the Credit Facility Provider, the Credit Facility Provider shall have 90 days to obtain such dismissal and further, provided, that so long as there exists an amount due and owing under the Reimbursement Agreement and the Credit Facility Provider has honored all properly presented and conforming drawings, no Credit Facility Provider Default shall exist; or

any uncured failure by the Credit Facility Provider to honor any drawing timely presented under the Credit Facility and made in strict compliance with the terms of the Credit Facility, where (A) there is no Insolvency and (B) such failure does not result from a restraint imposed upon the Credit Facility Provider by a court order or any similar restriction; or

any repudiation by the Credit Facility Provider of its obligation to honor any drawing timely presented, which drawing is in compliance with the terms of the Credit Facility;

Credit Facility Provider Repayment Fund means the fund so designated, created and established pursuant to the Resolution;

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

Defeasance Securities means any of the following:

(a) a Government Obligation of the type described in clauses (i), (ii), (iii) or (iv) of the definition of Government Obligations;

(b) Federal Agency Obligations described in clauses (i) or (ii) of the definition of Federal Agency Obligations; and

(c) an Exempt Obligation, provided such Exempt Obligation (i) is not subject to redemption prior to maturity other than at the option of the holder thereof or as to which irrevocable instructions have been

given to the trustee of such Exempt Obligation by the obligor thereof to give due notice of redemption and to call such Exempt Obligation for redemption on the date or dates specified in such instructions and such Exempt Obligation is not otherwise subject to redemption prior to such specified date other than at the option of the holder thereof, (ii) is secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or Government Obligations, which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such Exempt Obligation on the maturity date thereof or the redemption date specified in the irrevocable instructions referred to in clause (i) above, (iii) as to which the principal of and interest on the direct obligations of the United States of America which have been deposited in such fund, along with any cash on deposit in such fund, are sufficient to pay the principal of and interest and redemption premium, if any, on such Exempt Obligation on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in clause (i) above, and (iv) is rated by at least two nationally recognized statistical rating services in the highest rating category for such Exempt Obligation; provided, however, that (1) such term shall not include any interest in a unit investment trust or mutual fund or (2) any obligation that is subject to redemption prior to maturity other than at the option of the holder thereof;

Department of Health means the Department of Health of the State of New York;

Depository means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State, or its nominee and its successor or successors, or any other person, firm, association or corporation designated in the Series Resolution authorizing a Series of Bonds or a Bond Series Certificate relating to a Series of Bonds to serve as securities depository for Book Entry Bonds of such Series;

Excess Earnings means, with respect to the Bonds, the amount equal to the rebatable arbitrage and any income attributable to the rebatable arbitrage as required by the Code;

Exempt Obligation means any of the following:

(i) an obligation of any state or territory of the United States of America, any political subdivision of any state or territory of the United States of America, or any agency, authority, public benefit corporation or instrumentality of such state, territory or political subdivision, the interest on which is excludable from gross income under Section 103 of the Code, which is not a “specified private activity bond” within the meaning of Section 57(a)(5) of the Code and which, at the time an investment therein is made or such obligation is deposited in any fund or account under the Resolution, is rated, without regard to qualification of such rating by symbols such as “+” or “-” and numerical notation, no lower than the second highest rating category for such obligation by at least two nationally recognized statistical rating services;

(ii) a certificate or other instrument which evidences the beneficial ownership of, or the right to receive all or a portion of the payment of the principal of or interest on any of the foregoing; and

(iii) a share or interest in a mutual fund, partnership or other fund wholly comprised of any of the foregoing obligations;

Favorable Opinion of Bond Counsel means an opinion of Bond Counsel, addressed to the Authority, the Institution and the Trustee, to the effect that the action proposed to be taken will not adversely affect the exclusion of interest on the Bonds from gross income for purposes of federal income taxation under Section 103 of the Code, in form and substance acceptable to the Authority and the Trustee;

Federal Agency Obligation means any of the following:

(i) an obligation issued by any federal agency or instrumentality approved by the Authority;

(ii) an obligation the principal of and interest on which are fully insured or guaranteed as to payment by a federal agency approved by the Authority;

(iii) a certificate or other instrument which evidences the beneficial ownership of, or the right to receive all or a portion of the payment of the principal of or interest on any of the foregoing; and

(iv) a share or interest in a mutual fund, partnership or other fund wholly comprised of any of the foregoing obligations;

Government Obligation means any of the following:

(i) a direct obligation of the United States of America;

(ii) an obligation the principal of and interest on which are fully insured or guaranteed as to payment of principal and interest by the United States of America;

(iii) an obligation to which the full faith and credit of the United States of America are pledged;

(iv) a certificate or other instrument which evidences the beneficial ownership of, or the right to receive all or a portion of the payment of the principal of or interest on any of the foregoing; and

(v) a share or interest in a mutual fund, partnership or other fund wholly comprised of any of the foregoing obligations and rated "AA" by the Rating Services;

Gross Proceeds means, unless inconsistent with the provisions of the Code, (i) amounts received by the Authority from the sale of a Series of Bonds (other than amounts used to pay underwriters' fees and other expenses of issuing such Series of Bonds), (ii) amounts treated as transferred proceeds of a Series of Bonds in accordance with the Code, (iii) amounts treated as proceeds under the provisions of the Code relating to invested sinking funds; (iv) securities or obligations pledged by the Authority or the Institution as security for payment of debt service on a Series of Bonds, (v) amounts received with respect to obligations acquired with Gross Proceeds, (vi) amounts used to pay debt service on a Series of Bonds, and (vii) amounts received as a result of the investment of Gross Proceeds at a yield equal to or less than the yield on a Series of Bonds as such yield is determined in accordance with the Code;

Gross Receipts means all receipts, revenues, income and other moneys received or receivable by or on behalf of the Institution, including without limitation contributions, donations, and pledges whether in the form of cash, securities or other personal property and the rights to receive the same whether in the form of accounts, payment on tangibles, contract rights, general intangibles, healthcare insurance receivables, chattel paper, deposit accounts, instruments, promissory notes, and the proceeds thereof, as such terms are presently or hereinafter defined in the Uniform Commercial Code in effect from time to time in the State of New York, and any insurance or condemnation proceeds thereon, whether now existing or hereafter coming into existence and whether now owned or hereafter acquired; provided, Gross Receipts shall not include gifts, grants, bequests, donations, and contributions heretofore or hereafter made, designated at the time of the making thereof by the donor or maker as being for a specific purpose contrary to the payment requirements under the Loan Agreement;

Hospital Consultant means an individual or a nationally recognized accounting or management consulting firm acceptable to the Authority and the Department of Health;

Institution means The Bronx-Lebanon Hospital Center, a corporation organized and existing under the not-for-profit corporation law of the State of New York, or its permitted successors and assigns;

Intercreditor Agreement shall mean that certain Intercreditor Agreement by and among the Authority, the Bank, U.S. Bank National Association, as trustee for the Bonds, U.S. Bank National Association, as trustee for the Secured Hospital Bonds, and U.S. Bank National Association, as security agent thereunder, which Intercreditor Agreement has been acknowledged and consented to by the Institution and the Department of Health;

Interest Payment Date means the date or dates specified by definition or otherwise in the Bond Series Certificate on which interest on the Bonds will be paid;

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

Loan Agreement means, with respect to the Series 2009 Bonds, the Loan Agreement, dated as of July 23, 2008, by and between the Authority and the Institution in connection with the issuance of Bonds, and with respect to any other Series of Bonds, such other loan agreement as may be approved by and entered into between the Authority and the Institution pursuant to which the proceeds of such Series of Bonds is loaned to the Institution by the Authority, as the same may be amended, supplemented or otherwise modified as permitted by the Resolution and by such loan agreement;

Mortgage means a mortgage or modification or amendment thereto granted by the Institution to the Authority pursuant to the Loan Agreement, in form and substance satisfactory to the Authority and the applicable Credit Facility Provider, on the Mortgaged Property mortgaged in connection therewith, as security for the performance of the Institution's obligations under the Loan Agreement and under the applicable Reimbursement Agreement, as such Mortgage may be amended or modified from time to time as provided for therein or in the Loan Agreement;

Mortgaged Property means the land described in a Mortgage and the buildings and improvements thereon or hereinafter erected thereon and the fixtures, furnishings and equipment owned by the Institution and now or hereafter located therein or thereon, as from time to time amended, supplemented or otherwise modified;

Outstanding, when used in reference to Bonds, means, as of a particular date, all Bonds authenticated and delivered under the Resolution and under a Series Resolution except: (i) any Bond canceled by the Trustee at or before such date; (ii) any Bond deemed to have been paid in accordance with the Resolution; and (iii) any Bond in lieu of or in substitution for which another Bond shall have been authenticated and delivered pursuant to the Resolution;

Paying Agent means, with respect to the Bonds of any Series, the Trustee and any other bank or trust company and its successor or successors, appointed pursuant to the provisions of the Resolution or of a Series Resolution or a Bond Series Certificate or any other resolution of the Authority adopted prior to authentication and delivery of the applicable Series of Bonds;

Permitted Collateral means any of the following:

(i) Government Obligations described in clauses (i), (ii) or (iii) of the definition of Government Obligations;

(ii) Federal Agency Obligations described in clauses (i) or (ii) of the definition of Federal Agency Obligations;

(iii) commercial paper that (a) matures within two hundred seventy (270) days after its date of issuance, (b) is rated in the highest short term rating category by at least one nationally recognized statistical rating service and (c) is issued by a domestic corporation whose unsecured senior debt is rated by at least one nationally recognized statistical rating service no lower than in the second highest rating category; and

(iv) financial guaranty agreements, surety or other similar bonds or other instruments of an insurance company that has an equity capital of at least \$125,000,000 and is rated by Best's Insurance Guide or a nationally recognized statistical rating service in the highest rating category;

Permitted Encumbrances means (i) the Loan Agreement, (ii) the Resolution, (iii) the Mortgage, (iv) any instrument recorded pursuant to the Loan Agreement, (v) any other encumbrances or matters approved in writing by the Authority and the Credit Facility Provider, (vi) those matters referred to in any title insurance policy described in the Loan Agreement and accepted by the Authority and by the Credit Facility Provider, (vii) any leases, subleases or leasehold mortgages on the space occupied by The Methadone Maintenance

Clinic located at 1276 Fulton Avenue, Bronx, New York, (viii) any other encumbrances or matters in connection with the Bonds or approved in writing by an Authorized Officer of the Authority, the Department of Health and the Credit Facility Provider or as set forth in the aforementioned documents, and (ix) any lien on any equipment acquired by a purchase money security interest in such equipment;

Permitted Investments means any of the following:

- (i) Government Obligations;
- (ii) Federal Agency Obligations;
- (iii) Exempt Obligations;
- (iv) Uncollateralized certificates of deposit that are fully insured by the Federal Deposit Insurance Corporation and issued by a banking organization authorized to do business in the State;
- (v) Collateralized certificates of deposit that are (a) issued by a banking organization authorized to do business in the State that has an equity capital of not less than \$125,000,000, whose unsecured senior debt, or debt obligations fully secured by a letter or credit, contract, agreement or surety bond issued by it, are rated by at least one nationally recognized statistical rating service in at least the second highest rating category, and (b) are fully collateralized by Permitted Collateral; and
- (vi) Investment Agreements that are fully collateralized by Permitted Collateral;

Project or Projects means, with respect to each Loan Agreement, the meaning set forth in the applicable Loan Agreement;

Qualified Financial Institution means any of the following entities that has an equity capital of at least \$125,000,000 or whose obligations are unconditionally guaranteed by an affiliate or parent having an equity capital of at least \$125,000,000:

(i) a securities dealer, the liquidation of which is subject to the Securities Investors Protection Corporation or other similar corporation, and (a) that is on the Federal Reserve Bank of New York list of primary government securities dealers and (b) whose senior unsecured long term debt is at the time an investment with it is made is rated by at least one nationally recognized statistical rating service no lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated by at least one nationally recognized statistical rating service no lower than in the highest rating category for such short term debt; **provided, however,** that no short term rating may be utilized to determine whether an entity qualifies under this paragraph as a Qualified Financial Institution if the same would be inconsistent with the rating criteria of any Rating Service or Insurer of Outstanding Bonds;

(ii) a bank, a trust company, a national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, an insurance company or association chartered or organized under the laws of the United States of America, any state of the United States of America or any foreign nation, whose senior unsecured long term debt is at the time an investment with it is made is rated by at least one nationally recognized statistical rating service no lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated by at least one nationally recognized statistical rating service no lower than in the highest rating category for such short term debt; **provided, however,** that no short term rating may be utilized to determine whether an entity qualifies under this paragraph as a Qualified Financial Institution if the same would be inconsistent with the rating criteria of any Rating Service or Insurer of Outstanding Bonds;

(iii) a corporation affiliated with or which is a subsidiary of any entity described in (i) or (ii) above or which is affiliated with or a subsidiary of a corporation which controls or wholly owns any such entity, whose

senior unsecured long term debt is at the time an investment with it is made is rated by at least one nationally recognized statistical rating service no lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated by at least one nationally recognized statistical rating service no lower than in the highest rating category for such short term debt; **provided, however**, that no short term rating may be utilized to determine whether an entity qualifies under this paragraph as a Qualified Financial Institution if the same would be inconsistent with the rating criteria of any Rating Service or Insurer of Outstanding Bonds;

(iv) the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, the Student Loan Marketing Association, or any successor thereto, or any other federal agency or instrumentality approved by the Authority; or

(v) a corporation whose obligations, including any investments of any moneys held under the Resolution purchased from such corporation, are insured by an insurer that meet the applicable rating requirements set forth above;

Rating Service means each of Fitch Ratings, Moody's Investors Service, Inc. and Standard & Poor's Rating Services, in each case, which has assigned a rating to Outstanding Bonds at the request of the Authority, or their respective successors and assigns;

Record Date means, unless a Series Resolution or a Bond Series Certificate provides otherwise, the first (1st) day (whether or not a Business Day) of the February and August preceding the next Interest Payment Date;

Redemption Account means each such account authorized to be created pursuant to the Resolution in the Debt Service Reserve Fund with respect to a Series of Bonds;

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

Refunding Bonds means all Bonds authenticated and delivered on original issuance pursuant to the Resolution, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Resolution;

Reimbursement Agreement means an agreement by and between the Institution and a Credit Facility Provider pursuant to which (i) the Credit Facility Provider agrees to issue a Credit Facility for the account of the Institution and for the benefit of the Trustee with respect to a particular Series of Bonds and (ii) the Institution agrees to reimburse the Credit Facility Provider, or cause the Credit Facility Provider to be reimbursed, for any draw on the Credit Facility;

Renewal Date means the sixtieth (60th) day prior to the then scheduled expiration date of a Credit Facility;

Resolution means this The Bronx-Lebanon Hospital Center Revenue Bond Resolution, as from time to time amended or supplemented by Supplemental Resolutions or Series Resolutions in accordance with the terms and provisions of the Resolution;

Revenues means all payments received or receivable by the Authority pursuant to the Loan Agreement which are to be paid to the Trustee (except payments to the Trustee for the administrative costs and expenses or fees of the Trustee and payments to the Trustee for deposit to the Arbitrage Rebate Fund);

Secured Hospital Bonds means the Authority's Secured Hospital Revenue Refunding Bonds The Bronx-Lebanon Hospital Center, Series 2006 issued by the Authority on January 18, 2007 in the initial aggregate principal amount of \$97,065,000;

Serial Bonds means the Bonds so designated in a Series Resolution or a Bond Series Certificate;

Series means all of the Bonds authenticated and delivered on original issuance and pursuant to the Resolution and to the Series Resolution authorizing such Bonds as a separate Series of Bonds, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Resolution, regardless of variations in maturity, interest rate, Sinking Fund Installments or other provisions;

Series Resolution means a resolution of the Authority authorizing the issuance of a Series of Bonds adopted by the Authority pursuant to the Resolution;

Sinking Fund Installment means, as of any date of calculation, when used with respect to any Bonds so long as such Bonds are Outstanding, the amount of money required by the Resolution or by the Bond Series Certificate, to be paid on a single future February 15 or August 15 for the payment of the principal required for the retirement of the Outstanding Bonds which mature after said future February 15 or August 15, but does not include any amount payable by the Authority by reason only of the maturity of such Bond, and said future February 15 or August 15 is deemed to be the date when a Sinking Fund Installment is payable and the date of such Sinking Fund Installment and said Outstanding Bonds are deemed to be Bonds entitled to such Sinking Fund Installment;

State means the State of New York;

Substitute Credit Facility means an irrevocable direct-pay letter of credit issued and delivered to the Trustee in accordance with the Resolution upon the expiration or earlier termination of a Credit Facility, by one or more of a bank, a national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, or a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, or an insurance policy or any other instrument of credit enhancement issued and delivered to the Trustee in accordance with the Resolution upon the expiration or earlier termination of a Credit Facility, to replace the Credit Facility;

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

Tax Certificate and Agreement means a Tax Certificate and Agreement concerning certain matters pertaining to the use of proceeds of the Bonds executed by and delivered to the Authority, the Institution and the Trustee on the date of issuance of the Bonds, including any and all exhibits attached thereto;

Term Bonds means the Bonds so designated in a Series Resolution or Bond Series Certificate and payable from Sinking Fund Installments;

Trigger Event shall mean (A) an Event of Default under the 2006 Loan Agreement, the Loan Agreement or the Reimbursement Agreement or (B) violation by the Institution of any of the conditions relating to the maintenance of, or the disbursement of monies from, the Pledge Fund.

Trustee means the bank or trust company appointed as Trustee for the Bonds pursuant to the Resolution and having the duties, responsibilities and rights provided for herein, and its successor or assigns and any other bank or trust company which may at any time be substituted in its place pursuant to the Resolution.

**FINANCIAL STATEMENTS OF THE BRONX-LEBANON HOSPITAL CENTER
AND INDEPENDENT AUDITORS' REPORT**

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**THE BRONX-LEBANON HOSPITAL CENTER
BRONX-LEBANON HOSPITAL CENTER
HOUSING CORPORATION
1650 BLHC SERVICES CORP.
1770 BLHC SERVICES CORP.
BRONX-LEBANON HOSPITAL
NEW DIRECTIONS FUND, INC.**

**CONSOLIDATED FINANCIAL STATEMENTS
AND AUDITOR'S REPORT**

DECEMBER 31, 2007

**THE BRONX-LEBANON HOSPITAL CENTER
BRONX-LEBANON HOSPITAL CENTER
HOUSING CORPORATION
1650 BLHC SERVICES CORP.
1770 BLHC SERVICES CORP.
BRONX-LEBANON HOSPITAL
NEW DIRECTIONS FUND, INC.**

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- B - Consolidated Statement of Unrestricted
Operations**

- C - Consolidated Statement of Changes
in Net Assets**

- D - Consolidated Statement of Cash Flows**

Notes to Financial Statements



Independent Auditor's Report

**The Boards of Trustees
The Bronx-Lebanon Hospital Center
Bronx-Lebanon Hospital Center Housing Corporation
1650 BLHC Services Corp.
1770 BLHC Services Corp.
Bronx-Lebanon Hospital New Directions Fund, Inc.**

We have audited the accompanying consolidated balance sheet of The Bronx-Lebanon Hospital Center, Bronx-Lebanon Hospital Center Housing Corporation, 1650 BLHC Services Corp., 1770 BLHC Services Corp. and Bronx-Lebanon Hospital New Directions Fund, Inc. as of December 31, 2007, and the related consolidated statements of unrestricted operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Hospital Center's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from The Bronx-Lebanon Hospital Center, Bronx-Lebanon Hospital Center Housing Corporation, 1650 BLHC Services Corp., 1770 BLHC Services Corp., and Bronx-Lebanon Hospital New Directions Fund, Inc.'s 2006 consolidated financial statements and, in our report dated March 9, 2007, we expressed an unqualified opinion on those financial statements.

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

The accompanying statements were prepared to present the financial position, results of operations, changes in net assets and cash flows of The Bronx-Lebanon Hospital Center, Bronx-Lebanon Hospital Center Housing Corporation, 1650 BLHC Services Corp., 1770 BLHC Services Corp. and Bronx-Lebanon Hospital New Directions Fund, Inc. and do not include the financial position, results of operations, changes in net assets and cash flows of Bronx-Lebanon Special Care Center, Inc., Martin Luther King, Jr. Health Center, and Bronx-Lebanon Highbridge Woodycrest Center, related organizations, which are discussed in Note 1, and are not intended to be a complete presentation of The Bronx-Lebanon Hospital Center's consolidated financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Bronx-Lebanon Hospital Center, Bronx-Lebanon Hospital Center Housing Corporation, 1650 BLHC Services Corp., 1770 BLHC Services Corp. and Bronx-Lebanon Hospital New Directions Fund, Inc. as of December 31, 2007, and the results of their operations, the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

This report is intended solely for the information and use of the Boards of Trustees and management of The Bronx-Lebanon Hospital Center, Bronx-Lebanon Hospital Center Housing Corporation, 1650 BLHC Services Corp., 1770 BLHC Services Corp., Bronx-Lebanon Hospital New Directions Fund, Inc., the United States Department of Health and Human Services and the New York State Department of Health, and is not intended to be and should not be used by anyone other than these specified parties.

Loeb & Troper LLP

April 8, 2008

EXHIBIT A

THE BRONX-LEBANON HOSPITAL CENTER
 BRONX-LEBANON HOSPITAL CENTER
 HOUSING CORPORATION
 1650 BLHC SERVICES CORP.
 1770 BLHC SERVICES CORP.
 BRONX-LEBANON HOSPITAL
 NEW DIRECTIONS FUND, INC.

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 2007
 (With Summarized Financial
 Information for December 31, 2006)

	2007	2006
ASSETS		
Current assets		
Cash and cash equivalents	\$ 109,216,036	\$ 91,764,283
Investments (Note 4)	53,698	42,175
Assets held for self-insurance trust (Note 12)	334,300	972,601
Patient accounts receivable (net of allowance for doubtful accounts of \$29,095,095 in 2007 and \$31,753,158 in 2006)	36,907,000	39,444,149
Grants receivable	1,258,798	3,948,763
Other receivables	2,698,196	2,556,639
Inventory of materials and supplies	2,009,144	1,948,963
Prepaid expenses, deposits and other assets	3,273,108	3,127,670
Due from related organizations (Note 14)	283,757	3,884,475
Total current assets	156,034,037	147,689,718
Investment in health insurance organization (Note 5)	8,039,067	7,981,417
Assets limited as to use (Note 6)	32,434,512	35,467,409
Assets held for self-insurance trust (net of amount required to meet current obligations) (Note 12)	6,055,688	5,065,853
Fixed assets (net of accumulated depreciation and amortization) (Note 7)	152,617,307	150,867,346
Total assets	\$ 355,180,611	\$ 347,071,743

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**THE BRONX-LEBANON HOSPITAL CENTER
BRONX-LEBANON HOSPITAL CENTER
HOUSING CORPORATION
1650 BLHC SERVICES CORP.
1770 BLHC SERVICES CORP.
BRONX-LEBANON HOSPITAL
NEW DIRECTIONS FUND, INC.**

CONSOLIDATED BALANCE SHEET

**DECEMBER 31, 2007
(With Summarized Financial
Information for December 31, 2006)**

	2007	2006
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 45,439,393	\$ 53,836,139
Accrued salaries and related expenses payable	20,735,606	19,921,495
Accrued vacations payable	18,083,342	16,494,339
Current portion of accrued pension costs (Note 10)	10,299,810	9,959,810
Current portion of accrued postretirement benefit costs (Note 19)	84,300	56,100
Current portion of long-term debt (Notes 8 and 9)	6,507,959	3,249,877
Current portion of self-insurance reserve (Note 12)	334,300	972,601
Current portion of deferred insurance premium (Note 12)		662,951
Due to third parties	52,966,515	52,278,364
Other current liabilities	7,642,548	6,756,536
	162,093,773	164,188,212
Total current liabilities		
Long-term debt (Notes 8 and 9)	111,380,755	117,246,872
Accrued pension costs (Note 10)	16,446,642	21,941,084
Accrued postretirement benefit costs (Note 19)	3,279,298	1,278,045
Self-insurance reserve (Note 12)	5,165,700	5,427,399
Due to third-parties	10,918,858	7,679,636
	309,285,026	317,761,248
Total liabilities		
Net assets (Exhibit C)		
Unrestricted		
General fund	30,760,284	15,907,731
New Directions Fund, Inc.	4,432,295	3,734,916
Departmental funds	8,899,601	7,864,443
	44,092,180	27,507,090
Total unrestricted funds		
Permanently restricted (Note 16)	1,803,405	1,803,405
	45,895,585	29,310,495
Total net assets		
Total liabilities and net assets	\$ 355,180,611	\$ 347,071,743

See independent auditor's report.

The accompanying notes are an integral part of these statements.

EXHIBIT B

THE BRONX-LEBANON HOSPITAL CENTER
 BRONX-LEBANON HOSPITAL CENTER
 HOUSING CORPORATION
 1650 BLHC SERVICES CORP.
 1770 BLHC SERVICES CORP.
 BRONX-LEBANON HOSPITAL
 NEW DIRECTIONS FUND, INC.

CONSOLIDATED STATEMENT
 OF UNRESTRICTED OPERATIONS

YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
Operating revenues		
Net patient service revenues	\$ 492,174,806	\$ 480,437,175
Grants	12,997,602	16,084,294
Auxiliary services	13,586,347	14,989,496
Other revenues	21,810	19,511
	<u>518,780,565</u>	<u>511,530,476</u>
Total operating revenues		
Operating expenses		
Salaries and wages	257,496,384	235,980,415
Employee benefits	64,908,661	65,952,787
Supplies and expenses	118,716,720	107,149,678
Rental and other capital costs	5,269,764	3,952,946
Interest	5,431,729	6,998,959
Depreciation and amortization	22,993,200	24,994,260
Reserve for collectibility for Martin Luther King, Jr. Health Center (Note 14)		6,600,000
Bad debt expense	39,839,405	50,335,071
	<u>514,655,863</u>	<u>501,964,116</u>
Total operating expenses		
Operating gain	4,124,702	9,566,360
Nonoperating revenues - general fund		
Interest and dividends	7,269,320	5,184,819
Contributions	63,163	116,229
Net gain on investments	57,650	1,888,645
Gain on sale of land		271,887
Net assets released from restrictions		62,664
	<u>11,514,835</u>	<u>17,090,604</u>
Net income before other changes - general fund		

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THE BRONX-LEBANON HOSPITAL CENTER
 BRONX-LEBANON HOSPITAL CENTER
 HOUSING CORPORATION
 1650 BLHC SERVICES CORP.
 1770 BLHC SERVICES CORP.
 BRONX-LEBANON HOSPITAL
 NEW DIRECTIONS FUND, INC.

CONSOLIDATED STATEMENT
 OF UNRESTRICTED OPERATIONS

YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
Nonoperating revenues		
New Directions Fund, Inc.		
Contributions and event income	\$ 578,911	\$ 536,290
Interest and dividends	156,650	124,306
Gain on investments	11,523	9,724
	<u>747,084</u>	<u>670,320</u>
Departmental funds		
Net patient service revenues	<u>13,713,796</u>	<u>10,152,128</u>
Total nonoperating revenues	<u>14,460,880</u>	<u>10,822,448</u>
Nonoperating expenses		
Salaries and wages	8,732,754	6,372,850
Supplies and expenses	<u>3,995,589</u>	<u>3,800,600</u>
Total nonoperating expenses	<u>12,728,343</u>	<u>10,173,450</u>
Change in unrestricted net assets before adjustment required to recognize adjustment to minimum pension liability	13,247,372	17,739,602
Pension adjustment (Note 10)	<u>3,337,718</u>	<u>(5,367,454)</u>
Change in unrestricted net assets	<u>\$ 16,585,090</u>	<u>\$ 12,372,148</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

**THE BRONX-LEBANON HOSPITAL CENTER
BRONX-LEBANON HOSPITAL CENTER
HOUSING CORPORATION
1650 BLHC SERVICES CORP.
1770 BLHC SERVICES CORP.
BRONX-LEBANON HOSPITAL
NEW DIRECTIONS FUND, INC.**

EXHIBIT C

**CONSOLIDATED STATEMENT OF CHANGES
IN NET ASSETS**

**YEAR ENDED DECEMBER 31, 2007
(With Summarized Financial Information
for the Year Ended December 31, 2006)**

	Unrestricted				Total	Permanently Restricted		Total	
	General Fund	New Directions Fund, Inc.	Departmental Funds	Elimination		Endowment Fund	2007	2006	
Revenues and gains									
Net patient service revenues	\$ 492,174,806		\$ 13,713,796		\$ 505,888,602	\$ 505,888,602	\$ 490,589,303		
Grants	12,997,602				12,997,602	12,997,602	16,084,294		
Auxiliary services	13,586,347				13,586,347	13,586,347	14,989,496		
Contributions and event income	63,163	\$ 1,095,616		\$ (516,705)	642,074	642,074	652,519		
Interest and dividends	7,269,320	156,650			7,425,970	7,425,970	5,309,125		
Other revenues	21,810				21,810	21,810	19,511		
Net gain on investments	57,650	11,523			69,173	69,173	1,898,369		
Gain on sale of land							271,887		
Total revenues and gains	526,170,698	1,263,789	13,713,796	(516,705)	540,631,578	540,631,578	529,814,504		
Expenses									
Salaries and wages	257,496,384	83,313	8,649,441		266,229,138	266,229,138	242,353,265		
Supplies and expenses	234,166,279	483,097	4,029,197	(516,705)	238,161,868	238,161,868	244,790,041		
Depreciation and amortization	22,993,200				22,993,200	22,993,200	24,994,260		
Total expenses (Note 13)	514,655,863	566,410	12,678,638	(516,705)	527,384,206	527,384,206	512,137,566		
Change in net assets before pension adjustment	11,514,835	697,379	1,035,158	-	13,247,372	13,247,372	17,676,938		
Pension adjustment (Note 10)	3,337,718				3,337,718	3,337,718	(5,367,454)		
Change in net assets (Exhibit D)	14,852,553	697,379	1,035,158	-	16,585,090	16,585,090	12,309,484		
Net assets - beginning of year	15,907,731	3,734,916	7,864,443		27,507,090	1,803,405	29,310,495	17,001,011	
Net assets - end of year (Exhibit A)	\$ 30,760,284	\$ 4,432,295	\$ 8,899,601	\$ -	\$ 44,092,180	\$ 1,803,405	\$ 45,895,585	\$ 29,310,495	

See independent auditor's report.

The accompanying notes are an integral part of these statements.

THE BRONX-LEBANON HOSPITAL CENTER
BRONX-LEBANON HOSPITAL CENTER
HOUSING CORPORATION
1650 BLHC SERVICES CORP.
1770 BLHC SERVICES CORP.
BRONX-LEBANON HOSPITAL
NEW DIRECTIONS FUND, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities		
Change in net assets (Exhibit C)	\$ 16,585,090	\$ 12,309,484
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net gain on investments	(69,173)	(1,898,369)
Gain on sale of land		(271,887)
Depreciation and amortization	22,993,200	24,994,260
Reserve for collectibility for Martin Luther King, Jr. Health Center		6,600,000
Decrease (increase) in assets		
Accounts, grants and other receivables	5,085,557	2,613,276
Inventory of materials and supplies	(60,181)	(133,937)
Prepaid expenses, deposits and other assets	(145,438)	(289,638)
Due from related organizations	3,600,718	(6,846,841)
Increase (decrease) in liabilities		
Accounts payable	(8,396,746)	4,629,443
Accrued salaries and related expenses payable	814,111	1,312,160
Accrued vacations payable	1,589,003	902,852
Accrued pension costs	(5,154,442)	6,201,161
Accrued postretirement benefit costs	2,029,453	(121,374)
Due to third parties	3,927,373	11,732,720
Other current liabilities	886,012	3,201,819
Self-insurance reserve	(900,000)	(500,000)
Deferred insurance premium	(662,951)	(2,136,180)
Net cash provided by operating activities	<u>42,121,586</u>	<u>62,298,949</u>
Cash flows from investing activities		
Increase in self-insurance trust	(351,534)	(227,903)
Decrease in limited use assets	3,032,897	2,845,626
Proceeds from sale of land		298,884
Purchases of fixed assets	<u>(19,482,993)</u>	<u>(28,233,775)</u>
Net cash used by investing activities	<u>(16,801,630)</u>	<u>(25,317,168)</u>

-continued-

EXHIBIT D

-2-

THE BRONX-LEBANON HOSPITAL CENTER
BRONX-LEBANON HOSPITAL CENTER
HOUSING CORPORATION
1650 BLHC SERVICES CORP.
1770 BLHC SERVICES CORP.
BRONX-LEBANON HOSPITAL
NEW DIRECTIONS FUND, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
Cash flows from financing activities		
Proceeds from long-term debt	\$ 97,065,000	
Repayments of long-term debt	(104,933,203)	\$ (12,628,227)
Net cash used by financing activities	<u>(7,868,203)</u>	<u>(12,628,227)</u>
Net increase in cash and cash equivalents	17,451,753	24,353,554
Cash and cash equivalent - beginning of year	<u>91,764,283</u>	<u>67,410,729</u>
Cash and cash equivalent - end of year	<u>\$ 109,216,036</u>	<u>\$ 91,764,283</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	<u>\$ 5,476,582</u>	<u>\$ 7,035,711</u>

Supplemental disclosure of noncash investing and financing activities

Capital lease obligations of \$5,260,168 for 2007 and \$513,510 for 2006 were incurred when the Hospital Center entered into leases for new equipment.

See independent auditor's report.

The accompanying notes are an integral part of these statements.

THE BRONX-LEBANON HOSPITAL CENTER
BRONX-LEBANON HOSPITAL CENTER
HOUSING CORPORATION
1650 BLHC SERVICES CORP.
1770 BLHC SERVICES CORP.
BRONX-LEBANON HOSPITAL
NEW DIRECTIONS FUND, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007

NOTE 1 - NATURE OF ORGANIZATION

The accompanying consolidated financial statements include The Bronx-Lebanon Hospital Center, Bronx-Lebanon Hospital Center Housing Corporation, 1650 BLHC Services Corp., 1770 BLHC Services Corp. and Bronx-Lebanon Hospital New Directions Fund, Inc.

The entities are related through board control by The Bronx-Lebanon Hospital Center.

Organization - The Bronx-Lebanon Hospital Center (the "Hospital Center") is a not-for-profit acute care hospital that provides inpatient, ambulatory, psychiatric, preventive and emergency hospital care to the community. The Hospital Center provides a full range of health care services to the local community and qualifies as a tax-exempt organization under existing provisions of Section 501(c)(3) of the Internal Revenue Code and is not subject to federal and state income taxes. The Hospital Center is supported primarily by patient service fees paid by Medicaid, Medicare and commercial insurance carriers.

Bronx-Lebanon Hospital Center Housing Corporation (Housing Corporation) is a Limited-Profit Housing Company organized under the provisions of the Limited Profit Companies Law and the Not-for-Profit Corporation Law. The Internal Revenue Service has determined that the Housing Corporation is exempt from federal income tax under Internal Revenue Code Section 501(c)(2). The Housing Corporation is supported by tenant rental fees. The organization's purpose is to provide housing in support of employees and programs at Bronx-Lebanon Hospital Center. In December 2005, the Housing Corporation sold the operations of the Apartment House and all of its fixed assets to 1650 BLHC Services Corp. The Housing Corporation is in the process of dissolving pending regulatory approval.

1650 BLHC Services Corp. ("1650 BLHC") and 1770 BLHC Services Corp. ("1770 BLHC") were incorporated in 2004 under New York State not-for-profit law and are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. 1650 BLHC and 1770 BLHC are supported primarily by tenant rental fees. The organizations' purpose is to provide housing and support of employees and programs at the Hospital Center.

-continued-

**THE BRONX-LEBANON HOSPITAL CENTER
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NOTE 1 - NATURE OF ORGANIZATION (continued)

Bronx-Lebanon Hospital New Directions Fund, Inc. ("NDF") is authorized by the Hospital Center to solicit contributions on its behalf. NDF also solicits contributions for certain other health care providers in its general appeal for contributions to support the community's providers of health care services. In the absence of donor restrictions, NDF has discretionary control over the amounts, timing and use of its contributions received. NDF is exempt from federal income tax under Internal Revenue Code Section 501(c)(3).

The Hospital Center is also related to Bronx-Lebanon Special Care Center, Inc. (Special Care Center), Martin Luther King, Jr. Health Center (MLK), and Bronx-Lebanon Highbridge Woodycrest Center through board control. Although there are shared services between the Hospital Center, Special Care Center, Martin Luther King, Jr. Health Center, and Bronx-Lebanon Highbridge Woodycrest Center. The Special Care Center, Martin Luther King, Jr. Health Center, and Bronx-Lebanon Highbridge Woodycrest Center's financial positions and financial activities are not included in the accompanying financial statements.

The Bronx Care Development Corporation (BCDC), a New York corporation, is wholly owned by The Bronx-Lebanon Hospital Center. BCDC, a general partner for .01%, Sterling Corporate Tax Credit Fund XXIII, L.P. (Investor), a limited partner for 99.98% and Sterling Corporate Services Inc., a special interest limited partner for .01% have entered into a partnership agreement to form Bronx Care Associates (LP). The LP is a New York limited partnership established to develop a parcel of land located at 1600 Morris Avenue, Bronx, NY into a 52-unit affordable rental housing for low income, frail, elderly individuals and individuals with physical disabilities. The partnership's plan is to finance the construction project through Tax Credits. The Hospital Center has the right to buy the property from the partnership pursuant to the "Right of First Refusal Agreement" entered into by the partnership. The building became operational in 2007. Audited financial statements are not yet available for LP. Based on preliminary numbers in 2007, LP had total assets of \$8,427,385, total liabilities of \$3,031,129, total revenues of \$348,398 and total expenses of \$666,773. The Hospital Center's portion is immaterial for inclusion in these financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This report is to be used solely for cost report filing with government agencies.

Separate financial statements are issued for each corporation as required. All intercompany balances and transactions have been eliminated in the consolidated financial statements.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting - The financial statements are prepared on the accrual basis.

Accounting for pensions - During September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans." The requirement for implementation for not-for-profit organizations is effective for fiscal years ending after June 15, 2007. The Hospital Center elected to adopt these provisions in 2006.

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

Summarized financial information - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2006, from which the summarized information was derived. Certain amounts from the 2006 financial statements have been reclassified to conform with the 2007 presentation.

Cash and cash equivalents - Cash and cash equivalents include all highly liquid instruments with a maturity when acquired of three months or less at the date of purchase.

Investments - Investments are carried at fair value as determined by quoted market prices. The fair value of the investment in the health insurance organization was determined by the health insurance organization's management, since market value was not readily available.

Assets limited as to use - Assets limited as to use include assets set aside by indenture agreements for the repayment of capital debt, taxes and capital improvements.

Investment income related to assets limited as to use under indenture agreements is included in nonoperating revenues of the general fund.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants - Government grants in support of operations are reflected in the general fund. Revenues from government agencies are subject to audit by the agencies. No provision for any disallowance is reflected in the financial statements, since management does not anticipate any material adjustments.

Inventory of materials and supplies - Inventory of materials and supplies is stated at cost and recorded on the first-in, first-out basis.

Fixed assets - Fixed assets are stated at cost. Capital leases are recorded at the present value at the inception of the leases. Depreciation of assets and amortization of capital leases are computed using the straight-line method over the estimated useful lives of the individual assets as recommended by the American Hospital Association or the lease term, whichever is shorter. In accordance with the Hospital Center's policy, depreciation and amortization are recorded using the half-year convention method.

Cost of borrowing - Interest incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Unrestricted net assets - Unrestricted net assets include funds having no restriction as to use or purpose imposed by donors.

Temporarily and permanently restricted net assets - Temporarily restricted net assets are those whose use by the Hospital Center has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Hospital Center in perpetuity.

Net patient service revenues - Net patient service revenues are reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Charity care - The Hospital Center provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital Center does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenues. Charity care provided to patients was \$25,531,370. Estimated costs incurred to provide charity care were \$21,268,773.

Contributions - Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

Advertising costs - The advertising costs are expensed as incurred. The Hospital Center incurred advertising costs of \$277,196 in 2007.

Functional expenses - The costs of providing the Hospital Center's services have been summarized on a functional basis. Accordingly, certain costs have been allocated between the programs and supporting services benefited.

Operations - The Hospital Center's net operating gain or loss includes all unrestricted revenues, gains, expenses and losses for the period except for contributions and investment income of the general fund and revenues and expenses of New Directions Fund, Inc. and departmental funds.

NOTE 3 - NET PATIENT SERVICE REVENUES

The Hospital Center has agreements with third-party payors that provide for payments to the Hospital Center at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem payments. A description of the significant provisions of the payment arrangements follows:

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NOTE 3 - NET PATIENT SERVICE REVENUES (continued)

Inpatient acute services are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other related factors. Payments for Medicare beneficiaries are governed by regulations issued by the federal government, whereas all other third-party payors (Medicaid and commercial insurance carriers) and self-pay patients are governed by regulations issued by the New York State Department of Health (Health Department).

Inpatient revenues include amounts to reimburse the Hospital Center for a portion of its bad debt and charity care. The amount of this reimbursement is predicated on a formula to determine a facility's need subject to the availability of funds. The need of the participating medical centers is distributed based on a pool of funds available to be shared according to prescribed criteria. The amount reflected on the financial statements is based on estimates of the needs of each of the facilities in the pool and the amount that will be available.

The amounts awarded are subject to adjustment based on funds available and the requirements of other facilities. There are various proposals to change the current methodology, which could have a significant impact on the amounts budgeted for bad debt and charity care reimbursement.

The Department of Health and Human Services has designated two of the Hospital Center's clinics as Federally Qualified Health Centers (FQHC). Based on the FQHC designation, these clinics are eligible to participate in the Medicaid Managed Care shortfall payment program. Under this program, clinics bill to Medicaid for the difference between the average Medicaid rate and the average Medicaid Managed Care rate per visit. During 2006 the NYS Department of Health granted approval to the Hospital Center to bill retroactively to 2002 for shortfall payments.

Outpatient and other services are paid based upon a fee schedule or a cost reimbursement basis. Certain items (e.g., defined capital costs) are reimbursed on a cost-basis methodology subject to certain limitations and exclusions. These items are paid at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital Center and audits thereof by the Medicare fiscal intermediary. The Hospital Center's Medicare cost reports have been audited by the fiscal intermediary through December 31, 2003. Final settlements have been issued through 2003.

The Hospital Center has also entered into payment agreements with certain health maintenance organizations (HMOs) and preferred provider organizations. The basis for payment to the Hospital Center under these agreements includes prospectively determined rates per discharge or per day and discounts from established charges.

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NOTE 3 - NET PATIENT SERVICE REVENUES (continued)

Under certain contractual arrangements, the Hospital Center is at risk for and is eligible to receive benefit from cost variance. These arrangements include cost and liability sharing among other institutions. Revenues from these HMOs are predicated on the HMOs' estimates and projections. As of the date of this report, certain of these estimates have not been verified on an actuarial basis. It is not possible to determine if the final results will vary significantly from the estimates utilized.

Revenue from capitation agreements amounted to \$8,785,287.

Federal and New York State regulations contain certain provisions that allow for retroactive adjustments to current and prior years' payment rates based on industry-wide and hospital-specific data. Those adjustments which can be reasonably estimated have been provided for in the accompanying financial statements. However, those adjustments which are either (a) without current specific regulations to implement such adjustments, or (b) dependent on certain future events, cannot be reasonably estimated and, accordingly, have not been provided for in the financial statements. The Hospital Center has estimated the potential impact of such retrospective adjustments based upon the most recent information available. Management believes that amounts recorded in the accompanying financial statements will not be materially affected upon the implementation of such retrospective adjustments.

In addition, there are various proposals at the Federal and State levels to reduce future hospital reimbursement and the expansion of negotiated rates may significantly impact the Hospital's results of operations. Due to these uncertainties, it is not practicable for the Hospital Center to estimate the effect on its financial position or results of operations, if any, that may result from the outcome of these proposals and the changes in the reimbursement system.

NOTE 4 - INVESTMENTS

Common stocks \$ 53,698

NOTE 5 - INVESTMENT IN HEALTH INSURANCE ORGANIZATION

The Hospital Center has invested in a health insurance company as part of a joint venture. The Hospital Center is an 11.06% owner in HF Management Services, LLC, which based on equity method is valued at \$8,039,067 in 2007.

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NOTE 6 - ASSETS LIMITED AS TO USE

The composition of assets whose use is limited at December 31, 2007 and 2006 is set forth in the following table. Investments are stated at fair market value.

	<u>2007</u>	<u>2006</u>
Under indenture agreement - held by trustee		
Cash and short-term investments	\$ 6,299,085	\$ 3,887,620
U.S. Treasury obligations	16,182,567	15,707,432
Interest receivable	5,865	248,571
Investments held by the Dormitory Authority of the State of New York	<u>9,946,995</u>	<u>15,623,786</u>
	<u>\$ 32,434,512</u>	<u>\$ 35,467,409</u>

NOTE 7 - FIXED ASSETS

	<u>Cost</u>	<u>Accumulated Depreciation and Amortization</u>	<u>Estimated Useful Lives</u>
Land	\$ 1,066,538		
Land improvements	3,592,070	\$ 2,590,339	12-40 years
Leasehold improvements	3,820,327	1,022,325	15-20 years
Buildings and building improvements	301,881,979	204,604,046	10-30 years
Equipment (includes capital leases of \$14,373,097)	195,176,269	159,458,653	3-20 years
Construction in progress	<u>14,755,487</u>		
	520,292,670	<u>\$ 367,675,363</u>	
Accumulated depreciation and amortization	<u>(367,675,363)</u>		
	<u>\$ 152,617,307</u>		

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NOTE 8 - LONG-TERM DEBT

A. Dormitory Bonds Payable - Housing and Home Finance Agency

In order to finance part of the interns and residents dormitory, the Board of Trustees of the Hospital Center authorized the issuance of the Bronx-Lebanon Hospital Center Interns & Residents Dormitory Bonds of 1962, Series A and Series B in the aggregate amount of \$870,000, to mature in 2012.

The bonds are being amortized serially in accordance with the terms of the trust indenture. Principal payments on the Series A bonds ended in 1994. Principal payments on the Series B bonds for the year ended December 31, 2007 were \$30,000. The interest rate is 3-3/8%. The balance of the bonds at December 31, 2007 is \$169,000.

During 1988, the Hospital Center established an escrow fund that pays the mortgage obligations as they come due.

B. Mortgages Payable - Morgan Stanley Mortgage Capital, Inc.

In connection with the purchase of the building on 1650 Selwyn Avenue, 1650 BLHC reached a mortgage loan agreement in the amount of \$5,000,000 with Morgan Stanley Mortgage Capital Inc. on December 28, 2004. Monthly payments in the amount of \$29,978 began on February 1, 2005 at a 6% interest rate. The loan matures in January 2015 with a balloon payment of \$4,247,228. The balance of the mortgage as of December 31, 2007 was \$4,822,538.

In connection with the purchase of the building on 1770 Grand Concourse, 1770 BLHC reached a mortgage loan agreement in the amount of \$7,000,000 with Morgan Stanley Mortgage Capital Inc. on November 10, 2004. Monthly payments in the amount of \$41,969 began on January 1, 2005 at a 6% interest rate. The loan matures in December 2014 with a balloon payment of \$5,947,757. The balance of the mortgage as of December 31, 2007 was \$6,744,628.

C. Mortgage Payable - Dormitory Authority of the State of New York

The Hospital Center had a mortgage commitment of \$195,000,000 from the Dormitory Authority of the State of New York (DASNY), formerly the New York State Medical Care Facilities Finance Agency, for capital improvements. The mortgage carried an average interest rate of 7.637%.

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NOTE 8 - LONG-TERM DEBT (continued)

C. Mortgage Payable - Dormitory Authority of the State of New York (continued)

In February 1998, the Hospital Center's mortgage was refinanced with DASNY. The principal amount of the refinanced mortgage was \$169,695,000 with final principal payment due on February 15, 2016. Interest ranges from 3.9% to 5.5%, with an average rate of 5.2%.

In January 2007, the Hospital Center refinanced its existing mortgage with DASNY, with the first principal payment due on August 1, 2008. The principal amount of the refinanced mortgage was \$97,065,000, with final payment due on February 15, 2016. Interest ranges from 3.6% to 4.0%, with an average rate of 3.9%. The balance of the mortgage as of December 31, 2007 is \$97,065,000. The required payments are as follows:

	<u>Principal</u>	<u>Interest</u>
2008	\$ 3,666,667	\$ 3,783,588
2009	11,518,333	3,549,246
2010	12,168,333	3,120,734
2011	12,635,000	2,657,491
2012	13,137,500	2,152,983
Later years	<u>43,939,167</u>	<u>3,212,450</u>
Total	<u>\$ 97,065,000</u>	<u>\$ 18,476,492</u>

The aggregate amount of required payments of long-term indebtedness at December 31, 2007 is as follows:

2008	\$ 3,859,897
2009	11,725,726
2010	12,387,636
2011	12,866,895
2012	13,380,825
Later years	<u>54,580,187</u>
Total principal	108,801,166
Less current portion	<u>(3,859,897)</u>
	<u>\$ 104,941,269</u>

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NOTE 9 - LEASES

The Hospital Center leases various equipment under both operating and capital lease agreements.

Minimum lease payments under noncancelable leases as of December 31, 2007 are as follows:

	<u>Capital Leases</u>	<u>Operating Leases</u>
2008	\$ 2,956,119	\$ 618,478
2009	2,617,799	618,478
2010	1,923,101	135,780
2011	1,133,940	90,520
2012	<u>1,133,940</u>	<u> </u>
Total minimum lease payments	9,764,899	\$ <u>1,463,256</u>
Less amount representing interest	<u>(677,351)</u>	
Principal amount of net minimum lease payments	9,087,548	
Less current portion	<u>(2,648,062)</u>	
Long-term obligation under capital leases	<u>\$ 6,439,486</u>	

The Hospital Center incurred \$5,260,168 of capital lease obligations in 2007 to purchase the various new equipment.

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NOTE 9 - LEASES (continued)

The Hospital Center leases space under various leases expiring between 2008 and 2017. Future minimum payments are as follows:

2008	\$ 2,307,540
2009	1,465,705
2010	1,378,179
2011	1,397,860
2012	974,402
2013 and thereafter	<u>4,443,553</u>
	<u>\$ 11,967,239</u>

Total rent expense in 2007 was \$4,133,008.

NOTE 10 - PENSIONS

The Hospital Center has various retirement plans covering the majority of its employees. The expense for all plans in 2007 was \$8,241,610.

Union employees are covered by a union-administered plan funded by Hospital Center contributions.

Substantially all nonunion and New York State Nurses Association (NYSNA) employees were covered by a noncontributory defined benefit pension plan. On June 30, 1998, the Hospital Center terminated coverage for nonunion employees. Effective July 1, 1998, nonunion employees are being covered by a noncontributory defined contribution pension plan. Contributions to the defined contribution pension plan are made at the discretion of the Hospital Center. Accrued pension payable on the defined contribution pension plan on December 31, 2007 is \$6,640,810.

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NOTES TO FINANCIAL STATEMENTS

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NOTE 10 - PENSIONS (continued)

The following table sets forth the defined benefit pension plan's funded status and amounts recognized in the balance sheet at December 31, 2007:

Actuarial present value of benefit obligations	
Projected benefit obligation	\$ (151,597,433)
Plan assets at fair value	<u>131,491,791</u>
Funded status	\$ <u>(20,105,642)</u>
Accrued benefit cost included in the balance sheet	\$ <u>20,105,642</u>
Benefit cost	\$ 3,536,727
Employer contributions	5,353,450
Benefits paid	5,367,492

Assumptions in the accounting were as follows:

Discount rate	6.25%
Rate of increase in compensation levels	4.00%
Expected long-term rate of return on assets	8.00%

During 2002, MLK's defined benefit pension plan was merged with the Hospital Center's defined benefit plan. Benefit cost allocated to MLK in 2007 was \$35,838.

Plan Assets

The Hospital Center's pension plan asset allocations by asset category are as follows:

<u>Asset Category</u>	<u>December 31, 2007</u>	<u>Allowable Range</u>
Large cap	25.7%	10.0% - 45.0%
Mid and small cap	19.6	15.0 - 35.0
International equity	10.6	8.0 - 12.0
Conservative funds index	10.0	5.0 - 15.0
Fixed income	25.1	20.0 - 30.0
Real estate fund	5.5	0.0 - 10.0
Cash and cash equivalents	3.5	0.0 - 5.0

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NOTE 10 - PENSIONS (continued)

Plan Assets (continued)

The Hospital Center's investment policies are designed to ensure adequate plan assets are available to provide future payments of pension benefits to eligible participants. Taking into account the expected long-term rate of return on plan assets, the Hospital Center formulates the investment portfolio composed of the optimal combination of equity, debt and real estate securities.

The expected returns on plan assets are developed in conjunction with actuaries and investment advisors, and take into account long-term expectations for future returns and investment strategy. Amounts are compared to historical averages for reasonableness.

Cash Flows

Contribution

The Hospital Center expects to contribute \$3,659,000 to its pension plan in 2008.

Estimated future benefit payments

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

2008	\$ 6,740,000
2009	7,338,000
2010	7,976,000
2011	8,330,000
2012	8,848,000
2013-2017	48,965,000

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NOTE 11 - UNEMPLOYMENT INSURANCE

The Hospital Center has elected the option of reimbursing the State Unemployment Insurance Fund for payments made to former employees. Unemployment insurance expense for 2007 was \$149,681.

NOTE 12 - MALPRACTICE AND GENERAL LIABILITY INSURANCE

The Hospital Center maintains a combined professional liability and general liability program on an occurrence basis with its primary layer purchased through a New York State-licensed insurance company. In addition, the Hospital participates in a pooled professional and general liability excess program with certain other health care facilities (primarily hospitals) affiliated with the FOJP program. The participation is with captive and commercial insurance companies utilizing the occurrence basis type coverage.

The program consists of a primary layer in the amount of \$1,000,000 per claim and \$8,000,000 in aggregate for professional liability and \$1,000,000 per claim and \$2,000,000 in aggregate for general liability. The excess program includes coverage with combined limits of up to \$150,000,000 per claim and \$150,000,000 in the aggregate plus an additional \$25,000,000 excess specific to Bronx-Lebanon Hospital Center.

In 1999, the Hospital Center acquired a claims-made policy and subsequently purchased a policy to cover the tail with initial layers of coverage of \$1,000,000 per claim and \$8,000,000 in the aggregate.

Prior to 1999, a self-insurance trust was established to cover the first layer of coverage for claims through December 31, 1998. The self-insurance liability represents the present value of the Hospital Center's anticipated exposure.

The self-insurance trust includes the following investments, stated at fair market value.

	<u>2007</u>	<u>2006</u>
Cash and cash equivalents	\$ 2,728,940	\$ 1,778,545
U.S. Government and agency obligations	3,556,413	4,155,271
Corporate obligations	<u>104,635</u>	<u>104,638</u>
	<u>\$ 6,389,988</u>	<u>\$ 6,038,454</u>

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NOTE 12 - MALPRACTICE AND GENERAL LIABILITY INSURANCE (continued)

In addition, the Hospital Center received "Deemed" status from the Health Resource and Services Administration (HRSA) for Free Clinic Federal Tort Claims Act (FTCA) Medical Malpractice Insurance. This is a federal program that covers physician and hospital services within the Hospital Center scope of the Section 330 Grant from Bronx-Lebanon Integrated Services System, Inc.

NOTE 13 - FUNCTIONAL EXPENSES

The Hospital Center's expenses, grouped by functional classification, are as follows:

	<u>2007</u>	<u>2006</u>
Health care services	\$ 459,916,736	\$ 431,765,378
General and administrative	67,055,052	79,954,732
Fund raising	28,350	48,000
Cost of annual event	<u>384,068</u>	<u>369,456</u>
Total expenses per Exhibit C	<u>\$ 527,384,206</u>	<u>\$ 512,137,566</u>

NOTE 14 - RELATED ORGANIZATIONS

The Hospital Center is related, through common board membership and control, with Martin Luther King, Jr. Health Center, a diagnostic and treatment center located in The Bronx, New York. As of December 31, 2007, MLK has a receivable of \$755,201 from the Hospital Center. The Hospital Center has a receivable from MLK of \$24,550,000, which is fully reserved.

The Hospital Center sponsors Bronx-Lebanon Special Care Center, Inc., a nursing home project which began operations in September 1991. The nursing home is a not-for-profit organization, incorporated under Article 28-A of the Public Health Law of the State of New York. As sponsor, the Hospital Center contributed the land to the nursing home. Construction costs were financed through a mortgage loan. As of December 31, 2007, the Hospital Center has a receivable of \$691,854.

The Hospital Center is related through common board membership and control with Bronx-Lebanon Highbridge Woodycrest Center, a nursing home located in the Bronx, New York. As of December 31, 2007, the Hospital Center has a receivable of \$347,104.

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1770 BLHC SERVICES CORP.
BRONX-LEBANON HOSPITAL
NEW DIRECTIONS FUND, INC.**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007

NOTE 14 - RELATED ORGANIZATIONS (continued)

MLK leases space from the Hospital Center under various leases expiring between 2007 and 2031. Lease payments of \$847,224 were made to the Hospital Center in 2007. Future minimum payments are as follows:

2008	\$ 1,557,089
2009	1,600,580
2010	1,648,597
2011	1,349,427
2012	1,389,909
2013 and thereafter	<u>35,613,538</u>
	<u>\$ 43,159,140</u>

In 2004, the Hospital Center transferred the operations of certain clinics to MLK. Accordingly, leases related to these clinic locations were also assigned to MLK. These leases expire from 2008 - 2012. MLK also leases spaces for other clinics and the lease expires in 2016. Future minimum lease payments are as follows:

2008	\$ 946,995
2009	964,220
2010	961,768
2011	531,812
2012	328,382
2013 and thereafter	<u>977,819</u>
	<u>\$ 4,710,996</u>

MLK leased equipment in the amount of \$160,303 from the Hospital Center in 2007.

-continued-

**THE BRONX-LEBANON HOSPITAL CENTER
BRONX-LEBANON HOSPITAL CENTER
HOUSING CORPORATION
1650 BLHC SERVICES CORP.
1770 BLHC SERVICES CORP.
BRONX-LEBANON HOSPITAL
NEW DIRECTIONS FUND, INC.**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007

NOTE 15 - CONCENTRATIONS

The Hospital Center is dependent on the State of New York for payment for Medicaid patients and patients ineligible for Medicaid coverage. This latter group represents a major portion of the patient population. The rate of payment is subject to adjustments based on the financial activity of other hospitals, interpretation of the Hospital Center's statistical data and the overall availability of funds.

The Hospital Center grants credit without collateral to its patients, most of whom are local residents and are insured under third-party-payor agreements. The mix of receivables and revenues from third-party payors is as follows:

	<u>Receivables</u>	<u>Revenues</u>
Medicaid	50%	70%
Medicare	34	23
Other third-party payors	16	7

Financial instruments which potentially subject the Hospital Center to a concentration of credit risk are cash accounts with major financial institutions in excess of FDIC insurance limits. These financial institutions have strong credit ratings and management believes that credit risk related to these accounts is minimal.

NOTE 16 - PERMANENTLY RESTRICTED NET ASSETS

Net assets to be held in perpetuity total \$1,803,405. The income is expendable for the following purposes:

To support health care services (reported as operating income)	\$ 290,115
Fellowships to further clinical and scientific investigation in the field of medicine	<u>1,513,290</u>
	<u>\$ 1,803,405</u>

-continued-

THE BRONX-LEBANON HOSPITAL CENTER
 BRONX-LEBANON HOSPITAL CENTER
 HOUSING CORPORATION
 1650 BLHC SERVICES CORP.
 1770 BLHC SERVICES CORP.
 BRONX-LEBANON HOSPITAL
 NEW DIRECTIONS FUND, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007

NOTE 17 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Hospital Center in estimating the fair value of its financial instruments:

Cash and cash equivalents - The carrying amount reported in the balance sheet approximates fair value.

Investments - The carrying amount reported in the balance sheet is fair value based on quoted market prices.

Investment in health insurance organizations - The carrying amount reported is based upon the current value provided by the health insurance organizations.

Assets limited as to use - These assets consist primarily of cash, short-term investments and interest receivable. The fair value of the short-term investments is based on quoted market prices.

Assets held for self-insurance trust - These assets consist of cash and U.S. Government and agency obligations and corporate obligations. The fair value of these investments is based on quoted market prices.

Long-term debt - The carrying amount reported in the balance sheet for long-term debt approximates fair value based on similar rates offered to the Hospital Center for debt of the same remaining maturities.

The estimated fair values of the Hospital Center's financial instruments are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 109,216,036	\$ 109,216,036
Investment in health insurance organizations	8,039,067	8,039,067
Investments	53,698	53,698
Assets limited as to use	32,434,512	32,434,512
Assets held for self-insurance trust	6,389,988	6,389,988
Long-term debt	108,801,166	108,801,166

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THE BRONX-LEBANON HOSPITAL CENTER
BRONX-LEBANON HOSPITAL CENTER
HOUSING CORPORATION
1650 BLHC SERVICES CORP.
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BRONX-LEBANON HOSPITAL
NEW DIRECTIONS FUND, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007

NOTE 18 - CONTINGENCIES

Various suits and claims arising in the normal course of operations are pending or are on appeal against the Hospital Center. Such suits and claims are either specifically covered by insurance or are not material. While the outcome of these suits cannot be determined at this time, management believes that any loss which may arise from these actions will not have a material adverse effect on the financial position or results of operations of the Hospital Center.

The Hospital Center has various investments. Investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the Hospital Center's balance sheet.

NOTE 19 - ACCRUED POSTRETIREMENT BENEFIT COSTS

The Hospital Center has a noncontributory postretirement health benefit plan which covers all employees who qualify for health benefits from NYSNA which involves employment for a continuous period of 7 years immediately preceding retirement at age 65 or later or for a continuous period of 20 years immediately preceding retirement at ages 62 through 64. The following table sets forth the plan's combined unfunded status and amounts recognized in the balance sheet at December 31, 2007:

Benefit obligation at December 31, 2007	\$ (3,363,598)
Fair value of plan assets at December 31, 2007	<u> -</u>
Funded status	<u>(3,363,598)</u>
Accrued benefit cost recorded	<u>\$ (3,363,598)</u>

Weighted average assumptions as of December 31, 2007:

Discount rate	6.25%
Rate of compensation increase	N/A

-continued-

THE BRONX-LEBANON HOSPITAL CENTER
BRONX-LEBANON HOSPITAL CENTER
HOUSING CORPORATION
1650 BLHC SERVICES CORP.
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BRONX-LEBANON HOSPITAL
NEW DIRECTIONS FUND, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007

NOTE 19 - ACCRUED POSTRETIREMENT BENEFIT COSTS (continued)

For measurement purposes, a 5.75 percent annual rate of increase in the per capita cost of covered health benefits was assumed for 2007. The rate is assumed to decrease to 5.5 percent and remain at that level thereafter.

Benefit cost	\$	498,351
Employer contribution		5,605
Benefits paid		5,605

NOTE 19 - ACCRUED POSTRETIREMENT BENEFIT COSTS (continued)

Cash Flows

Contributions

The Hospital Center expects to contribute approximately \$0 to the plan in 2008.

Estimated Future Benefit Payments

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

2008	\$	84,300
2009		110,700
2010		167,800
2011		187,200
2012		227,000
2013-2017		1,535,300

**SUMMARY OF CERTAIN PROVISIONS
OF THE LOAN AGREEMENT**

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SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

The following is a brief summary of certain provisions of the Loan Agreement. This summary does not purport to be complete and reference is made to the Loan Agreement for full and complete statements of such and all provisions. The headings below are not part of the Loan Agreement but have been added for ease of reference. Defined terms used herein shall have the meaning ascribed to them in Appendix A.

Construction of Project

The Institution agrees that, whether or not there are sufficient moneys available to it under the provisions of the Resolution and the Series Resolution and under the Loan Agreement, the Institution shall complete the acquisition, design, construction, reconstruction, rehabilitation, renovation and improving or otherwise providing and furnishing and equipping of the Project, substantially in accordance with the Contract Documents related to the Project. Subject to the terms and conditions of the Loan Agreement, the Authority will, to the extent of moneys available in the Construction Fund, cause the Institution to be reimbursed for, or pay, any costs and expenses incurred by the Institution which constitute Costs of the Project, provided such costs and expenses are approved by the Authority, which approval shall not be unreasonably withheld, and in writing by the Credit Facility Provider.

(Section 5)

Amendment of the Project; Sale or Conveyance of Project or Mortgaged Property; Incurrence of Alternative Parity Indebtedness; Cost Increases; Additional Bonds

1. The Project may be amended by agreements supplementing the Loan Agreement by and between the Authority and the Institution, to decrease, increase or otherwise modify the scope thereof. Any such increase may provide for the addition of any further acquisition, design, construction, reconstruction, rehabilitation, renovation, improving, or otherwise providing, furnishing and equipping of the Project which the Authority is authorized to undertake.

2. The Institution covenants that it shall not transfer, sell, encumber, assign, lease or otherwise dispose of any interest in the Project or the Mortgaged Property or any part thereof or interest therein (whether in a single transaction or a series of transactions), including development rights, other than Permitted Encumbrances, without the prior written consent of the Authority and each Credit Facility Provider, which consent shall be accompanied by (i) an agreement by the Institution to comply with all terms and conditions of such consent and (ii) an opinion of Bond Counsel stating that the change will not have an effect on the status of the taxability of the Bonds for federal income taxation purposes. As a condition to such approval, the Authority or each Credit Facility Provider may require that the Institution pay to the Trustee for deposit in the Debt Service Fund an amount not to exceed the principal amount of the Bonds Outstanding at the date of such transfer, sale, encumbrance, assignment, lease or disposal, as such amount is determined by the Authority. Notwithstanding the foregoing, the Institution may (i) remove equipment, furniture or fixtures in the Project or the Mortgaged Property or which comprise a part of the Project or the Mortgaged Property without the consent of the Authority and any Credit Facility Provider, provided that the Institution substitutes equipment, furniture or fixtures having a value and utility at least equal to the equipment, furniture or fixtures removed or replaced or (ii) with the prior written approval of the Authority and each Credit Facility Provider, incur Alternative Parity Indebtedness and (iii) enter into one or more lease or subleases, and grant a leasehold mortgage, with respect to the space occupied by The Methadone Maintenance Clinic located at 1276 Fulton Avenue, Bronx, New York. The Authority and the Department of Health acknowledge in the Loan Agreement that any leasehold mortgage given to secure Office of Alcoholism and Abuse Services (OASAS) funding may be senior in priority to the lien of the Mortgage.

3. After the date of the Loan Agreement, the Institution shall not enter into, amend or modify, by change order or otherwise, any Contract Document that materially affects the scope or nature of the Project, without the prior written approval of an Authorized Officer of the Authority and the Department of Health, which approval shall not be unreasonably withheld. The Institution shall deliver to the Authority copies of such changes orders as the Authority may from time to time request. The Institution shall provide such moneys or an irrevocable letter of credit or other security in such form as may be acceptable to the Authority as in the reasonable judgment of the Authority may be required to pay the cost of completing the Project in excess of the moneys, letter of credit or other security in the Construction Fund established for such Project whether such moneys, letter of credit or other security are required as a result of an increase in the scope of the Project or otherwise. Such moneys, letter of credit or other security shall be paid or available to the Trustee for deposit in the Construction Fund within thirty (30) days of receipt of notice from the Authority that such moneys or other security are required.

4. The Authority, upon a request of the Institution, may, but shall not be required to, issue Bonds to provide moneys required for the cost of completing the Project in excess of the moneys in the applicable account in the Construction Fund. Nothing contained in the Loan Agreement or in the Resolution shall be construed as creating any obligation upon the Authority to issue Bonds for such purpose, it being the intent of the Loan Agreement to reserve to the Authority full and complete discretion to decline to issue such Bonds. The proceeds of any additional Bonds shall be deposited and applied as specified in the Series Resolution authorizing such Bonds or the Bond Series Certificate relating to such Bonds.

(Section 6)

Financial Obligations of the Institution; General and Unconditional Obligation; Voluntary Payments

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

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

(Section 9)

Security Interest in Gross Receipts

As security for the payment of all liabilities and the performance of all obligations of the Institution pursuant to the Loan Agreement, the Institution does by the Loan Agreement continuously pledge, grant a security interest in, and assign to the Authority the Gross Receipts, together with the Institution's right to receive and collect the Gross Receipts and the proceeds of the Gross Receipts.

The Institution represents and warrants that no part of the Gross Receipts or any right to receive or collect the same or the proceeds thereof is subject to any lien, pledge, security interest or assignment, other than the security interest in Gross Receipts previously granted to the Authority in connection with the Secured Hospital Bonds, and that, subject to federal and state laws and regulations limiting security interests in Medicaid and Medicare receivables, the Gross Receipts assigned pursuant to the Loan Agreement are legally available to provide security for the Institution's performance under the Loan Agreement. The Institution agrees that it shall not after the date of the Loan Agreement create or permit the creation of any pledge, assignment, encumbrance, restriction, security interest in or other commitment of or with respect to the Gross Receipts which is prior to or on a parity with the pledge made by provisions herein. The Authority may, with the consent of the Department of Health, release its interest in the Gross Receipts.

(Section 11)

Collection of Gross Receipts

The Institution represents that in connection with the issuance of the Secured Hospital Bonds it has previously established at a bank approved by the Authority an account designated as the "Gross Receipts Pledge Fund Account for the Project" (the "Pledge Fund") and has executed and delivered in form and content satisfactory to the Authority, an account control agreement for the Pledge Fund (the "Account Control Agreement") that, among other things, provides a security interest therein for the benefit of the Authority under the New York Uniform Commercial Code. The Institution represents and warrants that it shall maintain the Pledge Fund until the Bonds are no longer Outstanding. The Institution agrees to deposit directly or indirectly into the Pledge Fund as and when received, its Gross Receipts. The Institution shall apply the monies in the Pledge Fund to the making of the payments required by the Loan Agreement as they become due and payable, and may withdraw monies from the Pledge Fund for any lawful purpose of the Institution including the making of such payments. Upon the occurrence of a Trigger Event under the Loan Agreement, then, in accordance with the terms of the Account Control Agreement, and so long as the Trigger Event continues, any disbursements from the Pledge Fund thereafter shall (a) while the Intercreditor Agreement remains in full force and effect, be in accordance with the terms of the Intercreditor Agreement and (b) at such time as the Intercreditor Agreement is no longer in full force and effect, be made by the Authority in accordance with the Approved Operating Plan (as defined below), with any disbursements not contemplated by the Approved Operating Plan requiring the additional consent of the Department of Health; provided, however, that the Department of Health may, in its discretion, waive any requirement for obtaining its consent to approving disbursements from the Pledge Fund. Following the occurrence of a Trigger Event, the Institution shall provide the Authority and the Department of Health with a plan for its continued operation of the Institution's facilities and resumption of full and timely payment of its debts, including provisions for payment of all amounts due and owing under the 2006 Loan Agreement, the 2009 Loan Agreement and the Reimbursement Agreement, which operating plan shall be subject to the approval of the Authority and the Department of Health (the "Approved Operating Plan"). Nothing in this Section is intended to cause the Authority to be, or be deemed to be, an "operator" of the Institution under the regulations of the Department of Health. In taking or not taking such action the Authority and the Commissioner may consult with and make use of the expertise of professionals knowledgeable in the health care field. The Authority may, with the consent of the Commissioner of Health, waive any of the requirements of the provisions in the Loan Agreement. The Institution shall provide a list to the Authority identifying the name and number of all funds and accounts established by the Institution with any banking, trust or other financial institution and shall promptly provide a revised list to the Authority upon any change thereto.

(Section 12)

The Mortgage; Lien of Fixtures, Furnishings and Equipment

At or before the delivery by the Authority of the Bonds, the Institution shall execute and deliver to the Authority, the Mortgage, in recordable form, mortgaging the Mortgaged Property, which Mortgage shall

constitute a first lien on the Mortgaged Property, subject only to the Permitted Encumbrances. Concurrently with the delivery of Bonds, the Authority will assign all of its rights under the Mortgage to the Trustee for the benefit of the Bondholders and to each Credit Facility Provider (the “Assignment”). The Trustee, with the consents of the Credit Facility Provider, the Department of Health and the Authority, but without the consent of the Holders of the Bonds, may consent to the amendment, modification or termination of the Assignment or the amendment, modification, termination, subordination or satisfaction of the Mortgage and of any security interest in fixtures, furnishings or equipment located in or on the Mortgaged Property, and the Mortgaged Property or such security interest may be released from the lien of the Mortgage, all upon such terms and conditions as the Authority, the Department of Health and each Credit Facility Provider may reasonably require. As a condition to such approval, the Authority may require that the Institution pay to the Trustee for deposit in the Debt Service Fund an amount not to exceed the aggregate principal amount of the Bonds Outstanding at the date of such transfer, sale or conveyance, as such amount is determined by the Authority. Subject to said Mortgage and the Assignment, the Institution may remove equipment, furniture or fixtures from the Mortgaged Property without the consent of the Authority and any Credit Facility Provider, provided that the Institution substitutes equipment, furniture or fixtures having a value and utility at least equal to the equipment, furniture or fixtures removed or replaced to the extent the same has not been fully depreciated or no longer has any significant value or utility.

(Section 13)

Warranty as to Title; Encumbrances; Title Insurance

The Institution warrants and represents to the Authority that (i) it has good and marketable title to the Project and all Mortgaged Property, free and clear of liens and encumbrances, except Permitted Encumbrances, so as to permit it to have quiet enjoyment and use thereof for purposes of the Loan Agreement and the Institution’s programs and (ii) the Institution has such rights of way, easements or other rights in land as may be reasonably necessary for ingress and egress to and from any Project and all Mortgaged Property, for proper operation and utilization of the Project and such Mortgaged Property and for utilities required to serve the Project and such Mortgaged Property, together with such rights of way, easements or other rights in, to and over land as may be necessary for construction by the Institution of the Project.

The Institution covenants that title to any Project and all Mortgaged Property shall be kept free from any encumbrances, liens or commitments of any kind, other than Permitted Encumbrances, and such other encumbrances approved in writing by the Authority, the Credit Facility Provider and the Trustee; provided, however, that nothing shall prohibit the incurrence of Alternative Parity Indebtedness pursuant to the provisions of the Loan Agreement summarized under the heading “Amendment of a Project; Sale or Conveyance of Project or Mortgaged Property; Incurrence of Alternative Parity Indebtedness; Cost Increases; Additional Bonds” above.

The Institution agrees to provide (i) a title insurance policy in form and substance, and by insurer(s), acceptable to the Authority, in the amount of the aggregate principal amount of Bonds issued or such other amount as is acceptable to the Authority, insuring the Mortgage to be a valid first lien on the Mortgaged Property, free and clear of liens and encumbrances except Permitted Encumbrances, and (ii) a survey or surveys, including a metes and bounds description, acceptable to the Authority, of the Mortgaged Property, certified to the Authority, the Department of Health and the issuer of the title insurance policy and showing any easements to which the Mortgaged Property is subject.

The Institution warrants, represents and covenants that (i) each Project and Mortgaged Property are and shall be serviced by all necessary utilities (including, to the extent applicable, without limitation, electricity, gas, water, sewer, steam, heating, air-conditioning and ventilation), and (ii) to the extent applicable, the Project and Mortgaged Property shall have its own separate and independent means of access, apart from any other property owned by the Institution or others. Such access, however, may be through common roads or walks owned by the Institution used also for other parcels owned by the Institution.

(Section 14)

**Consent to Pledge and Assignment by the Authority; Covenants, Representations and Warranties;
Covenant as to Credit Facility**

1. The Institution consents to and authorizes the assignment, transfer or pledge by the Authority to the Trustee and each Credit Facility Provider of the Authority's rights to receive the payments required to be made pursuant to the Loan Agreement, any or all security interests granted by the Institution under the Loan Agreement, including without limitation the security interest in the Gross Receipts, the Mortgage, any security interest in the fixtures, furnishings and equipment located or used in connection with the Mortgaged Property, the Government Obligations and Exempt Obligations and all funds and accounts established under the Resolution (except the Arbitrage Rebate Fund and, as to the Trustee, the Credit Facility Provider Repayment Fund) and pledged under the Resolution in each case to secure any payment or the performance of any obligation of the Institution under the Loan Agreement or arising out of the transactions contemplated by the Loan Agreement, and any and all other rights, title and interests assigned, transferred or pledged pursuant to the Assignment. The Institution further agrees that the Authority may pledge and assign to the Trustee and each Credit Facility Provider any and all of the Authority's rights and remedies under the Loan Agreement. Upon any pledge and assignment by the Authority to the Trustee and any Credit Facility Provider authorized by the Loan Agreement, the Trustee and such Credit Facility Provider shall be fully vested with all of the rights of the Authority so assigned and pledged and may thereafter exercise or enforce, by any remedy provided therefor by the Loan Agreement or by law, any of such rights directly in its own name. Any such pledge and assignment shall be limited to securing the Institution's obligation to make all payments required by the Loan Agreement and by the applicable Reimbursement Agreement and to performing all other obligations required to be performed by the Institution under the Loan Agreement and under the applicable Reimbursement Agreement. Any realization upon the Mortgaged Property and any pledge made or security interest granted by the Loan Agreement, shall not, by operation of law or otherwise, result in cancellation or termination of the Loan Agreement or the obligations of the Institution under the Loan Agreement, unless and until such obligations have been paid in full.

2. The Institution covenants, warrants and represents that it is duly authorized by all applicable laws, its certificate of incorporation and by-laws to enter into the Loan Agreement, to incur the indebtedness contemplated by the Loan Agreement, to make and deliver the Mortgage, and to pledge, grant a security interest in and assign to the Authority and the Trustee, for the benefit of the Bondholders and each Credit Facility Provider, the Gross Receipts and the Government Obligations and Exempt Obligations in the manner and to the extent provided in the Loan Agreement and in the Resolution. The Institution further covenants, warrants and represents that any and all pledges, security interests in and assignments to the Authority and the Trustee, for the benefit of the Bondholders and each Credit Facility Provider, granted or made pursuant to the Loan Agreement or to the Mortgage are and shall be free and clear of any pledge, lien, charge, security interest or encumbrance prior thereto, or of equal rank therewith, other than the Permitted Encumbrances, and that all corporate action on the part of the Institution to that end has been duly and validly taken. The Institution further covenants that the provisions of the Loan Agreement are and shall be valid and legally enforceable obligations of the Institution in accordance with their terms. The Institution further covenants that it shall at all times, to the extent permitted by law, defend, preserve and protect the pledge, security interest in and assignment of the Gross Receipts and the Government Obligations, Exempt Obligations and all of the rights of the Authority and the Bondholders under the Loan Agreement and under the Resolution, any Series Resolution, any Bond Series Certificate and the Mortgage against all claims and demands of all persons whomsoever. The Institution further covenants, warrants and represents that the execution and delivery of the Loan Agreement, and of the Mortgage, and the consummation of the transaction contemplated by the Loan Agreement and thereby and compliance with the provisions of the Loan Agreement and thereof, including, but not limited to, the assignment as security or the granting of a security interest in the Government Obligations and Exempt Obligations do not violate, conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, the charter or by-laws of the Institution or any indenture or mortgage, or any trusts, endowments or other commitments or agreements to which the Institution is party or by which it or any of its properties are bound, or any existing law, rule, regulation, judgment, order, writ, injunction or decree of

Appendix C

any governmental authority, body, agency or other instrumentality or court having jurisdiction over the Institution or any of its properties.

3. The Institution covenants to (i) maintain a Credit Facility in place in accordance with the terms of the Resolution and the Bond Series Certificate relating to a Series of Bonds so long as such Series of Bonds is Outstanding and (ii) obtain the prior approval of the Authority for any Substitute Credit Facility for any Series of Bonds. The Institution covenants to take all actions necessary to obtain a rating on each Series of Bonds of at least investment grade, including, but not limited to, obtaining a Substitute Credit Facility with respect thereto, in the event that (i) the rating of such Series of Bonds or the related Credit Facility Provider's long-term rating is withdrawn or is reduced below investment grade and (ii) the Authority requires the Institution to take such action; provided, however, that such Substitute Credit Facility is available (a) at commercially reasonable rates and (b) without imposing on the Institution or the Authority conditions, tests, covenants and restrictions materially more restrictive than those then contained in the Loan Agreement or in the Resolution. In the event the Institution is unable to obtain a rating on any Series of Bonds of at least investment grade pursuant to the terms of the Loan Agreement, the Authority may cause a redemption of the Bonds prior to maturity of such Series of Bonds at par pursuant to the Bond Series Certificate relating to such Series of Bonds.

(Section 15)

Tax-Exempt Status

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

(Section 16)

Securities Acts Status

The Institution represents that it is an organization organized and operated: (i) exclusively for charitable purposes, (ii) not for pecuniary profit, and (iii) no part of the net earnings of which inures to the benefit of any person, private stockholder or individual, all within the meaning, respectively, of the Securities Act of 1933, as amended (the "Securities Act"), and the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Institution agrees that it shall not perform any act or enter into any agreement which shall adversely affect such status as set forth in clauses (i), (ii) and (iii) of previous sentence.

(Section 17)

Maintenance of Corporate Existence

The Institution covenants that it will (i) maintain its corporate existence and will continue to operate as a not-for-profit institution for charitable purposes as set forth in its certificate of incorporation, (ii) obtain, maintain and keep in full force and effect such governmental approvals, consents, licenses, permits and

accreditations as may be necessary for the continued operation of the Institution as a not-for-profit hospital corporation as set forth in its certificate of incorporation providing such services as it may from time to time determine, (iii) not dissolve or otherwise dispose of all or substantially all of its assets and (iv) not consolidate with or merge into another corporation or permit one or more corporations to consolidate with or merge into it. If no Event of Default shall have occurred and be continuing, if prior written consent of the Authority, the Department of Health and each Credit Facility Provider (except where such Credit Facility Provider consent shall not be required under the applicable Reimbursement Agreement) shall have been obtained and prior written notice shall have been given to the Trustee, the Institution may (i) sell or otherwise transfer all or substantially all of its assets to, or consolidate with or merge into, another organization or corporation which qualifies under Section 501(c)(3) of the Code, or any successor provision of federal income tax law, or (ii) permit one or more corporations or any other organization to consolidate with or merge into it, or (iii) acquire all or substantially all of the assets of one or more corporations or any other organization; provided, however, (a) that any such sale, transfer, consolidation, merger or acquisition does not in the opinion of counsel satisfactory to the Authority adversely affect the exclusion from federal gross income of the interest paid or payable on the Bonds, (b) that the surviving, resulting or transferee corporation, as the case may be, is incorporated under the laws of the State, and qualified under Section 501(c)(3) of the Code or any successor provision of federal income tax law, (c) that the surviving, resulting or transferee corporation, as the case may be, assumes in writing all of the obligations of and restrictions on the Institution under the Loan Agreement and under any Reimbursement Agreement and the Mortgage and furnishes to the Authority a certificate to the effect that upon such sale, transfer, consolidation, merger or acquisition such corporation shall be in compliance with each of the provisions of the Loan Agreement and shall meet the requirements of the Act and (d) such other certificates and opinions as may reasonably be required by the Authority.

(Section 18)

Environmental Quality Review and Historic Preservation

For the purpose of assisting the Authority in making any findings or determinations which might be required by (i) Article 8 of the New York Environmental Conservation Law and the regulations promulgated thereunder (collectively, “SEQR”) or (ii) the New York State Historic Preservation Act of 1980 and the regulations promulgated thereunder (collectively the “Preservation Act”), the Institution agrees to abide by the requirements relating thereto as set forth in the Loan Agreement.

(Section 19)

Use of the Project

Subject to the rights, duties and remedies of the Authority under the Loan Agreement, and the statutory and regulatory powers of the Department of Health, the Institution shall have sole and exclusive control of, possession of and responsibility for (i) the Project and all Mortgaged Property, (ii) the operation of the Project and all Mortgaged Property and supervision of the activities conducted therein or in connection with any part thereof, and (iii) the maintenance, repair and replacement of the Project and all Mortgaged Property.

(Section 20)

Restrictions on Religious Use

The Institution agrees that with respect to any Project or portion thereof, so long as the Project or portion thereof exists and unless and until the Project or portion thereof is sold for the fair market value thereof, the Project or any portion thereof shall not be used for sectarian religious purposes or as a place of religious worship or in connection with any part of a program of a school or department of divinity for any religious denomination; provided, however, that the foregoing restriction shall not prohibit the free exercise of any religion; and, further provided, however, that if at any time after the date of the Loan Agreement, in the opinion of Bond Counsel, the then applicable law would permit the Project or a portion thereof to be used without regard to the above stated restriction, said restriction shall not apply to the Project and each portion thereof. The Authority and its agents may conduct such inspections as the Authority deems necessary to

determine whether any Project or any portion of real property thereof financed by Bonds is being used for any purpose proscribed by the Loan Agreement. The Institution further agrees that prior to any disposition of any portion of any Project for less than fair market value, it shall execute and record in the appropriate real property records an instrument subjecting, to the satisfaction of the Authority, the use of such portion of the Project to the restriction that (i) so long as such portion of the Project (and, if included in the Project, the real property on or in which such portion of the Project is situated) shall exist and (ii) until such portion of the Project is sold or otherwise transferred to a person who purchases the same for the fair market value thereof at the time of such sale or transfer, such portion of the Project shall not be used for sectarian religious purposes or as a place of religious worship or used in connection with any part of the program of a school or department of divinity of any religious denomination. The instrument containing such restriction shall further provide that such restriction may be enforced at the instance of the Authority or the Attorney General of the State, by a proceeding in any court of competent jurisdiction, by injunction, mandamus or by other appropriate remedy. The instrument containing such restriction shall also provide that if at any time thereafter, in the opinion of Bond Counsel, the then applicable law would permit such portion of the Project, or, if included in the Project, the real property on or in which such portion is situated, to be used without regard to the above stated restriction, then said restriction shall be without any force or effect. For the purposes described in this paragraph an involuntary transfer or disposition of the Project or a portion thereof, upon foreclosure or otherwise, shall be considered a sale for the fair market value thereof.

(Section 21)

Maintenance, Repair and Replacement

The Institution agrees that, throughout the term of the Loan Agreement, it shall, at its own expense, hold, operate and maintain the Project and the Mortgaged Property in a careful, prudent and economical manner, and keep the same, with the appurtenances and every part and parcel thereof, in good repair, working order and condition and shall from time to time make all necessary and proper repairs, replacements and renewals so that at all times the operation of the Project and the Mortgaged Property may be properly and advantageously conducted. The Institution shall not make any material change or alteration of a structural nature in or to the Project or the Mortgaged Property without the prior written consent of the Authority, the Credit Facility Provider and the Department of Health to the extent required by Article 28 and Article 28-B of the New York Public Health Law.

The Institution further agrees that it shall pay at its own expense all extraordinary costs of maintaining, repairing and replacing the Project except insofar as funds are made available therefor from proceeds of insurance, condemnation or eminent domain awards.

(Section 22)

Covenant as to Insurance

1. The Institution shall procure and maintain, or cause to be procured and maintained, to the extent reasonably obtainable, from responsible insurers, insurance of the type and in the amounts customarily maintained by institutions providing services similar to those provided by the Institution. All policies of insurance required by the Loan Agreement shall be primary to any insurance maintained by the Authority.

2. The Institution shall, with respect to the Project and the Mortgaged Property, at the times specified in the following paragraphs, procure and maintain, or cause to be procured and maintained, to the extent reasonably obtainable, from responsible insurers acceptable to the Authority, the following insurance:

(a) with respect to any building or the Mortgaged Property the construction of which shall not have been completed (and until insurance is procured as described in the following paragraph), all risk builders' risk insurance against direct physical loss or damage, or with respect to the acquisition and installation of equipment or machinery, in lieu of all risk builders' risk, an installation floater on an all risk basis. The

amount of such insurance shall be on a one hundred per cent (100%) completed value basis on the insurable portion;

(b) at all times (except during a period when builders' risk insurance is in effect as described in the prior paragraph), all risk property insurance against direct physical loss or damage to the Project or the Mortgaged Property in an amount not less than one hundred per cent (100%) of the replacement value thereof (such replacement value to be determined on the basis of replacement costs without allowance for depreciation), exclusive of excavations and foundations and similar property normally excluded under New York standard forms; provided, however, that the inclusion of the Project or the Mortgaged Property under a blanket insurance policy or policies of the Institution insuring against the aforesaid hazards in an amount aggregating at least one hundred per cent (100%) of the insurable value of the insured property, exclusive of excavations and foundations and similar property normally excluded under New York standard forms, shall constitute complete compliance with the provisions of this paragraph with respect to the Project or the Mortgaged Property; provided further, that in any event, each such policy shall be in an amount sufficient to prevent the Institution and the Authority from becoming co insurers under the applicable terms of such policy;

(c) at all times, statutory workers' compensation insurance, covering loss resulting from injury, sickness, disability or death of employees and employer's liability insurance with limits of at least \$1,000,000 for each accident, each sickness, and aggregate occupational illness or sickness;

(d) at all times, statutory disability benefits;

(e) at all times, commercial general liability insurance protecting the Authority and the Institution against loss or losses from liabilities arising from bodily injury of persons or damage to the property of others caused by accident or occurrence, with limits of not less than \$1,000,000 per accident or occurrence on account of injury to persons or property damage with \$2,000,000 policy aggregate, excluding liability imposed upon the Authority or the Institution by any applicable workers' compensation law;

(f) commencing with the date on which the Project or any improvement on the Mortgaged Property or any part thereof is completed or first occupied, or any equipment, machinery, fixture or personal property covered by comprehensive boiler and machinery coverage is accepted, whichever occurs earlier, insurance providing comprehensive boiler and machinery coverage in an amount considered adequate by the Authority, which insurance may include deductible provisions approved by the Authority;

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

(h) each other form of insurance which the Institution is required by law to provide and such other kinds of insurance in such amounts as from time to time may be reasonably required by the Authority.

3. All policies of insurance shall be open to inspection by the Authority and the Trustee or their representatives at all reasonable times. If any change shall be made in any such insurance, a description and notice of such change shall be furnished to the Authority and the Trustee at the time of such change. The Institution covenants and agrees not to make any change in any policy of insurance which would reduce the coverages or increase the deductible thereunder without first securing the prior written approval of the Authority.

4. All policies of insurance required pursuant the Loan Agreement, other than policies of workers' compensation insurance, shall include the Authority and the Institution, and, upon assignment of a Mortgage pursuant to the Resolution, the assignees of the Authority, as additional insureds or as mortgagee or as loss payee as appropriate.

(Section 23)

Damage or Condemnation

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

(a) if within 120 days from the receipt by the Authority of actual notice or knowledge of the occurrence, the Institution, the Authority and each Credit Facility Provider agree in writing that the Project or Mortgaged Property or the affected portion thereof shall be repaired, replaced or restored, the Institution shall proceed to repair, replace or restore the Project or Mortgaged Property or the affected portion thereof, to its original condition insofar as possible with such changes and additions as shall be appropriate to the needs of the Institution and approved in writing by the Authority and each Credit Facility Provider. The funds required for such repair, replacement or restoration shall be paid from time to time as the work progresses, subject to such conditions and limitations as the Authority and each Credit Facility Provider may reasonably impose, from the proceeds of insurance, condemnation or eminent domain awards received by reason of such occurrence and, to the extent such proceeds are not sufficient, from funds to be provided by the Institution; or

(b) if no agreement for the repair, restoration or replacement of the Project or the Mortgaged Property or the affected portion thereof shall be reached by the Authority, the Institution and each Credit Facility Provider within such 120 day period, all respective proceeds (other than the proceeds of builders' risk insurance which shall be deposited pursuant to the Resolution and the applicable Series Resolution or the Bond Series Certificate) shall be transferred from the Construction Fund in which such proceeds were deposited to the Debt Service Fund for the redemption at par, at the option of the Authority, of Bonds on any future Interest Payment Date.

(Section 24)

Taxes and Assessments

The Institution shall pay when due at its own expense, and hold the Authority harmless from, all taxes, assessments, water and sewer charges and other impositions, if any, which may be levied or assessed upon the Project or the Mortgaged Property or any part thereof, and upon all ordinary costs of operating, maintaining, renovating, repairing and replacing the Project or the Mortgaged Property. The Institution shall file exemption certificates as required by law. The Institution agrees to provide to the Authority, within ten (10) days after written demand by the Authority, certificates or receipts issued by the appropriate authority showing full payment of all taxes, assessments, water and sewer charges and other impositions; provided, however, that the good faith contest of such impositions shall be deemed to be complete compliance with the requirements of the Loan Agreement if the Institution deposits with the Authority the full amount of such contested impositions. Notwithstanding the foregoing, the Authority in its sole discretion, after five (5) Business Days notice in writing to the Institution, may pay (such payment shall be made under protest if so requested by the Institution) any such charges, taxes and assessments if, in the reasonable judgment of the Authority, the Project or the Mortgaged Property or any part thereof, would be in substantial danger by reason of the Institution's failure to pay such charges, taxes and assessments of being sold, attached, forfeited, foreclosed, transferred, conveyed, assigned or otherwise subjected to any proceeding, equitable remedy, lien, charge, fee or penalty that would impair (i) the interests or security of the Authority under the Loan Agreement or under a Series Resolution or Bond Series Certificate or the Resolution; (ii) the ability of the Authority to enforce its rights thereunder; (iii) the ability of the Authority to fulfill the terms of any covenants or perform any of its obligations under the Loan Agreement or under a Series Resolution or Bond Series Certificate or the Resolution or the Mortgage; or (iv) the ability of the Institution to fulfill the terms of the covenants or perform any of its obligations under the Loan Agreement or under a Series Resolution, a Bond Series Certificate or the Mortgage, and the Institution agrees to reimburse the Authority for any such payment, with interest thereon from the date payment was made

by the Authority at a rate equal to the highest rate of interest payable on any investment held for the Debt Service Fund on the date such payment was made by the Authority.

(Section 25)

Defaults and Remedies

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

(a) the Institution shall default in the timely payment of any amount payable, or in the delivery of any Securities required, pursuant to the Loan Agreement or the payment of any other amounts required to be delivered or paid in accordance with the Resolution or with the Resolution, or (ii) the Institution fails to deposit its Gross Receipts in the Pledge Fund pursuant to provisions of the Loan Agreement; and such default continues for a period in excess of seven (7) days after payment thereof was due;

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

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

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

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

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

(g) the charter or certificate of incorporation of the Institution shall be suspended or revoked;

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

(i) a petition for an order approving the dissolution of the Institution by or against the Institution, which order is not dismissed, vacated or stayed for an aggregate of thirty (30) days;

(j) the Institution’s operating certificate under Section 2805 of the Public Health Law is revoked or suspended or the Institution takes any action towards a surrender of such operating certificate;

(k) a petition shall be filed with a court having jurisdiction for an order directing the sale, disposition or distribution of all or substantially all of the property belonging to the Institution, which petition is not dismissed, vacated or stayed for an aggregate of ninety (90) days;

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(l) an order of a court having jurisdiction, other than an order of a court related to acts permitted under the provisions of the Loan Agreement summarized under the heading “Maintenance of Corporate Existence” above, shall be made directing the sale, disposition or distribution of all or substantially all of the property belonging to the Institution, which order is not dismissed, vacated or stayed for an aggregate of thirty (30) days;

(m) giving of notice by any Credit Facility Provider to the Authority and the Trustee of the occurrence of an Event of Default under the applicable Reimbursement Agreement, to the extent permitted under the terms of such Reimbursement Agreement; or

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

2. Subject to the terms of the Assignment and Government Regulations, upon the occurrence of an Event of Default, the Authority shall provide to the Trustee, the Credit Facility Provider and the Department of Health written notice thereof, upon obtaining actual knowledge thereof, and, may take any one or more of the following actions; provided, however, that in the case of an Event of Default specified in paragraph (l) above accompanied by a written notice from such Credit Facility Provider to the Trustee directing the Trustee to cause an acceleration of the Bonds, the Authority shall take the action set forth in (a) below.

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

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

(c) withhold any or all further performance under the Loan Agreement;

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

(e) subject to the Assignment and the Intercreditor Agreement, realize upon any security interest which the Authority may then have in the pledge and assignment of the Gross Receipts and the rights to receive the same, all to the extent provided in the Loan Agreement;

(f) to the extent permitted by law, (i) enter upon the Project and complete the construction of a Project in accordance with the plans and specifications with such changes therein as the Authority may deem appropriate and employ watchmen to protect the Project, all at the risk, cost and expense of the Institution, consent to such entry being given by the Institution by the Loan Agreement, (ii) at any time discontinue any work commenced in respect of the construction of the Project or change any course of action undertaken by the Institution and not be bound by any limitations or requirements of time whether set forth in the Loan Agreement or otherwise, (iii) assume any construction contract made by the Institution, to the extent possible, in any way relating to the construction of any Project and take over and use all or any part of the labor, materials, supplies and equipment contracted for by the Institution, whether or not previously incorporated into the construction of any Project, and (iv) in connection with the construction of any Project undertaken by the Authority pursuant to the provisions of this paragraph (f), (x) engage builders, contractors, architects, engineers and others for the purpose of furnishing labor, materials and equipment in connection with the construction of the Project, (y) pay, settle or compromise all bills or claims which may become liens against the Project or against any moneys of the Authority applicable to the construction of the Project, or which have been or may be incurred in any manner in connection with completing the construction of such Project or for the discharge of liens, encumbrances or defects in the title to the Project, or against any moneys of the Authority applicable to the

construction of the Project, and (z) take or refrain from taking such action under the Loan Agreement as the Authority may from time to time determine. The Institution shall be liable to the Authority for all sums paid or incurred for construction of the Project whether the same shall be paid or incurred pursuant to the provisions of this paragraph (f) or otherwise, and all payments made or liabilities incurred by the Authority under the Loan Agreement of any kind whatsoever shall be paid by the Institution to the Authority upon demand. Under the Loan Agreement, the Institution irrevocably constitutes and appoints the Authority its true and lawful attorney-in-fact to execute, acknowledge and deliver any instruments and to do and perform any acts in the name and on behalf of the Institution for the purpose of exercising the rights granted to the Authority by this subparagraph during the term of the Loan Agreement;

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

(h) subject to the Assignment and the Intercreditor Agreement, realize upon any security interest in the fixtures, furnishings and equipment, including any one or more of the following actions: (i) enter the Mortgaged Property and take possession of any such fixtures, furnishings and equipment; or (ii) sell, lease or otherwise dispose of any such fixtures, furnishings and equipment either together with a sale, lease or other disposition of the Mortgaged Property pursuant to the Loan Agreement or to the Mortgage, or separately, whether or not possession has been secured; provided, however, that if sold, leased or otherwise disposed of separately, such sale, lease or other disposition shall be in a commercially reasonable manner and upon five (5) days' prior written notice to the Institution of the time and place of such sale; and

(i) subject to the provisions of the Public Health Law of the State of New York, require the Institution at its expense to retain a Hospital Consultant, to make recommendations with respect to such rates, fees and charges, management policies and other matters deemed necessary by the Authority. A copy of the Hospital Consultant's report and recommendations shall be filed with the Authority, the Commissioner of Health and the Institution, and the Institution shall follow the recommendations of the Hospital Consultant as required by the Authority and the Commissioner of Health.

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

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

(Section 29)

Investment of Moneys

The Institution acknowledges that the Authority may, in its sole discretion, direct the investment of certain moneys held under the Resolution as provided therein, and that no representation or warranty has been made by the Authority with respect to interest rates on, or the amount to be earned as a result of, any such investment. Neither the Authority nor the Trustee shall have any liability arising out of or in connection with the making of any investment authorized by the provisions of Article VII of the Resolution in the manner provided therein, for any depreciation in value of any investment or for any loss, direct or indirect, resulting from any such investment. The Authority agrees that it shall direct the making of investments as permitted by the Resolution as soon as practicable when moneys are legally available therefor.

(Section 31)

Limitation on Agreements

The Institution shall not enter into any contract or agreement or perform any act which may materially adversely affect any of the assurances or rights of the Authority under the Loan Agreement or the Holders under the Resolution.

(Section 33)

Arbitrage

The Institution covenants that it shall not take any action or inaction, nor fail to take any action or permit any action to be taken, if any such action or inaction would adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Bonds under Section 103 of the Code. Without limiting the generality of the foregoing, the Institution covenants that it will comply with the instructions and requirements of a Tax Certificate and Agreement, which is incorporated in the Loan Agreement as if set forth fully in the Loan Agreement. The Institution (or any related person, as defined in Section 147(a)(2) of the Code) shall not, pursuant to an arrangement, formal or informal, purchase Bonds in an amount related to the amount of any obligation to be acquired from the Institution by the Authority. The Institution will, on a timely basis, provide the Authority with all necessary information and, with respect to the Institution's Rebate Requirement or Yield Reduction Payments (as defined in the Tax Certificate and Agreement) required to be paid, funds not in the Authority's possession, to enable the Authority to comply with the arbitrage and rebate requirements of the Code as identified in Section 8.13 of the Resolution.

(Section 34)

Certificate as to Representations and Warranties

The obligations of the Authority under the Loan Agreement and the delivery of each Series of Bonds are conditioned upon the receipt by the Authority at or prior to delivery of each Series of Bonds of a certificate of an Authorized Officer of the Institution, in form and substance acceptable to the Authority, to the effect that the representations and warranties contained in the Loan Agreement are true and correct and in full force and effect on and as of the date of delivery of each Series of Bonds as if made on the date of delivery of such Bonds.

(Section 37)

Further Assurances

The Institution, at any and all times, shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the rights, the Gross Receipts and other moneys, securities, funds and security interests by the Loan Agreement or by any Series Resolution, Bond Series Certificate or the Resolution pledged, assigned or granted, or intended so to be, or which the Institution may after the date of the Loan Agreement become bound to pledge, assign or grant to the Authority pursuant to the Loan Agreement; provided, however, that the Institution shall not be required to do or make any such resolutions, acts, deeds, conveyances, assignments, transfers or assurances that would limit or impair any of the rights, powers, privileges or remedies of the Institution under the Loan Agreement or impose duties, obligations or liabilities upon the Institution in addition to those of the Institution under the Loan Agreement.

(Section 40)

Amendments to Loan Agreement and Reimbursement Agreement; Substitute Credit Facility

The Loan Agreement may be amended only in accordance with the Resolution, the Assignment and the consent of the Department of Health. Each amendment shall be made by an instrument in writing signed by an

Authorized Officer of the Institution and of the Authority, an executed counterpart of which shall be filed with the Trustee. The Institution also covenants that (i) it shall not amend or supplement any Reimbursement Agreement (which covenant shall not apply to waivers) nor shall it execute a reimbursement agreement to provide for a Substitute Credit Facility, in either case, without the prior written consent of the Authority, which shall not be unreasonably withheld or delayed and (ii) it shall promptly provide a copy of any amendment or supplement to any Reimbursement Agreement to the Trustee.

The Institution shall use its best efforts to obtain an extension of any Credit Facility or a Substitute Credit Facility not later than the 60th day prior to the expiration date of such Credit Facility.

(Section 41)

Assignment

In the event of a conflict between the provisions of the Loan Agreement and the Assignment, the terms of the Assignment shall control. The Institution expressly consents to the foregoing.

(Section 42)

Termination

The Loan Agreement shall remain in full force and effect until no Bonds are Outstanding and until all other payments, expenses and fees payable under the Loan Agreement by the Institution shall have been made or provision made for the payment thereof in accordance with the terms of the Loan Agreement; provided, however, that the liabilities and the obligations of the Institution under the provisions of the Loan Agreement relating to the prompt payment of arbitrage rebate and to provide reimbursement for or indemnification against expenses, costs or liabilities made or incurred pursuant to certain sections of the Loan Agreement shall nevertheless survive any such termination. Upon termination, the Authority shall promptly deliver such documents as may be reasonably requested by the Institution to evidence such termination and the discharge of the Institution's duties under the Loan Agreement, including the release or surrender of any security interests granted by the Institution to the Authority pursuant to the Loan Agreement.

(Section 43)

Financial Covenants

"Debt Service" for any period means, as of any date of calculation, an amount equal to the sum of (i) interest accruing during such period on the Bonds except to the extent that such interest is to be paid from deposits in the Interest Account made from Bond proceeds, and (ii) that portion of each principal payment or Sinking Fund Installment, as the case may be, for such portion of Bonds which would accrue during such period if such principal payment or Sinking Fund Installment, as the case may be, were deemed to accrue daily in equal amounts from the next preceding principal payment or Sinking Fund Installment due date, as the case may be, for such Bonds (or if there shall be no such preceding principal payment or Sinking Fund Installment due date, as the case may be, from a date one year preceding the due date of such principal payment or Sinking Fund Installment, as the case may be, or from the date of issuance of such Bonds, whichever is later).

"Funded Indebtedness" means any obligation for the payment of borrowed money (whether or not incurred in connection with the Project) incurred by the Institution whether or not due and payable upon any event; any obligation for the payment of money incurred in connection with the purchase of real property by the Institution; any obligation for the payment of money incurred in connection with any lease of real or personal property which is considered to be a capital lease under then generally accepted accounting principles; and any Funded Indebtedness defined in the Loan Agreement which is guaranteed by or in anyway secured by the general credit of the Institution. The foregoing notwithstanding, the term "Funded Indebtedness" shall exclude any bonds or other debt obligations and the interest thereon incurred by the Institution to refund existing bonds or debt obligations, but such exclusion shall apply only during the period

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when such bonds or other debt obligations and the interest thereon are payable solely from their own proceeds and the interest earnings thereon. With regard to any obligation for the payment of borrowed money the interest on which is not payable on a current basis, the accreted value of such obligation on a compounded basis, or any other measure of value as shall be set forth in the applicable Series Resolution, shall be treated as interest for the purpose of this definition.

“Health Facility” means any facility which is owned or operated by the Institution that produces revenue for the Institution.

“Independent Public Accountant” means a firm of certified public accountants having no interest, direct or indirect, in the Project, and having no partner, director, officer or employee who is a director, officer or employee of the Institution and to whom the Authority does not object.

“Net Income Available for Debt Service” means, for the period in question and in each case determined in accordance with then generally accepted accounting principles, the excess of (a) revenues of the Institution, but excluding: (i) any profits on the sale or other disposition, not in the ordinary course of business, of investments or fixed or capital assets; (ii) gifts, grants, bequests, donations, legacies and contributions to the Institution specifically restricted as to use by the donor or grantor; (iii) extraordinary revenue items; (iv) restricted investment income specifically restricted as to use (except investment income under the Resolution available for Debt Service pursuant thereto); and (v) gains on the extinguishment of debt due to the refinancing of the same; over (b) expenses of the Institution but excluding: (i) losses on the sale or other disposition, not in the ordinary course of business, of investments or fixed or capital assets; (ii) any amount paid as principal and interest on Bonds; (iii) any depreciation expense; (iv) extraordinary expense items; (v) expenses relating to items in (a) (ii) above; and (vi) the amortization of financing expenses, underwriting discounts, call premiums, losses on the extinguishment of debt due to the refinancing of the same, and other related or incidental non-recurring expenses resulting from the issuance or refinancing of Bonds, or any other debt obligations permitted under the Mortgage.

“Net Proceeds” means the net amount received in connection with any condemnation award or insurance claim after provision for legal expenses.

“Principal Payments” means the amounts required to be paid under the Loan Agreement to pay principal and Sinking Fund Installments on the Bonds.

“Required Certificate of Occupancy” means the Temporary Certificate of Occupancy for the Institution’s Fulton Division, which is lapsed as of the date of the Loan Agreement.

1. General Covenants. (a) If the ratio of the Institution’s Net Income Available for Debt Service to the Debt Service payments on the Outstanding Bonds plus all other Funded Indebtedness (exclusive of capitalized interest) is less than (I) 1:1 for any fiscal year through fiscal year 2008, (II) less than 1.1:1 for any fiscal year following the 2008 fiscal year or (III) less than 1.25:1 for any two consecutive fiscal years following the 2008 fiscal year, then the Authority shall, and if the ratio is less than 1.25:1 for any fiscal year, then the Authority may, subject to the provisions of the Public Health Law of the State of New York, require the Institution at its expense to retain a Hospital Consultant, to make recommendations with respect to such rates, fees and charges, management policies and other matters deemed necessary by the Authority. If, in the reasonable judgment of the Authority, there has been a significant deterioration in the Institution’s finances or operations, then the Authority may, subject to the provisions of the Public Health Law of the State of New York, require the Institution at its expense to retain a Hospital Consultant, to make recommendations with respect to such rates, fees and charges, management policies and other matters deemed necessary by the Authority.

A copy of the Hospital Consultant’s report and recommendations shall be filed with the Authority, the Commissioner of Health and the Institution, and the Institution shall follow the

recommendations of the Hospital Consultant as required by the Authority and the Commissioner of Health. This Section shall not be construed to prohibit the Institution from serving indigent patients to the extent required for it to continue its qualification as a tax-exempt organization or by other State law or from serving any other class or classes of patients without charge or at reduced rates so long as such service does not prevent the Institution from satisfying the other requirements of this Section.

(b) The Institution further covenants that it will continue to maintain and operate its Health Facilities as long as there are Bonds Outstanding in such a manner as to produce revenues sufficient to fulfill its obligations under the Loan Agreement.

(c) The Institution covenants to maintain the rates to be charged for the occupancy or other use of the Project pursuant to Article 28 of the Public Health Law.

(d) The Institution covenants that it will produce a ratio of Net Income Available for Debt Service to the maximum annual Debt Service on the Bonds and any debt service payments due on other Funded Indebtedness of at least 1:1.

(e) The Institution covenants not to cause or consent to or to permit any material change within its power to materially and adversely affect the Institution's ability to pay principal and interest and any other amounts due from time to time under the Loan Agreement.

(f) Within 60 days after the end of each quarterly period of each fiscal year of the Institution, the chief financial officer and the president or other chief executive officer of the Institution shall jointly meet, at the office of the Authority, with the representatives of the Authority, the Commissioner of Health and Director of the Budget of the State of New York (together, the "State Committee") to review the reports required by Section 26 and Exhibit B of the Loan Agreement. To the extent a report indicates there exists any materially adverse developments, the Institution shall make such recommendations and present a plan of correction as it deems appropriate. Such meetings shall continue for so long as the State Committee determines is appropriate. Any member of the State Committee may call a special meeting by giving five days' written notice to the other parties identified in this Section.

(g) The Authority may in its sole discretion waive any of the requirements of this Section. The Institution further covenants not to take or fail to take any action that would impair the value of the Mortgaged Property.

2. Other Borrowing. If the ratio of the Institution's Net Income Available for Debt Service to the Debt Service payments on the Outstanding Bonds plus all other Funded Indebtedness (exclusive of capitalized interest) is less than (I) 1:1 for any fiscal year through fiscal year 2008, (II) less than 1.1:1 for any fiscal year following the 2008 fiscal year or (III) less than 1.25:1 for any two consecutive fiscal years following the 2008 fiscal year, then the Institution may not incur any Funded Indebtedness except with the prior written consent of the Authority and, to the extent otherwise required by law, the Department of Health, including, but not limited to, any borrowing secured by Gross Receipts securing the Institution's obligations under the Loan Agreement; provided, however, that the Authority may, in its discretion, waive its consent to the incurrence of certain Funded Indebtedness upon the request of the Institution, which request shall indicate the emergent basis for such Funded Indebtedness upon which such waiver is requested. The limitations of this Section are not intended to restrict the Institution's ability to borrow its own funds (inter-fund borrowing) under the conditions that the Institution agrees, to the extent that the fund from which such borrowing was made so requires repayment, to inform the Authority of any inter-fund borrowing, and to submit a plan for the repayment of such borrowing.

3. Certificate of Occupancy Covenants. The Institution covenants to obtain the Required Certificate of Occupancy on or before September 1, 2009. In the event that the Institution fails to obtain the Required Certificate of Occupancy by September 1, 2009, then the Authority may require the Institution, at

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its expense, to retain consultants (in addition to any consultants retained by the Institution prior to the date of enforcement by the Authority) to help obtain the Required Certificate of Occupancy.

(Exhibit B)

**SUMMARY OF CERTAIN PROVISIONS
OF THE RESOLUTIONS**

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SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The following is a brief summary of certain provisions of the Resolution. This summary does not purport to be complete and reference is made to the Resolution for full and complete statements of such and all provisions. The headings below are not part of the Resolution but have been added for ease of reference only. Defined terms used herein shall have the meanings ascribed to them in Appendix A or in the body of this Official Statement.

Resolution and Bonds Constitute a Contract

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

(Section 1.03)

Collateral Assignment of Certain Rights and Remedies to the Trustee and the Credit Facility Provider

As security and collateral for (x) the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of, and interest on, the Outstanding Bonds and for the performance of any other obligation of the Authority under the Resolution and (y) the payment of all amounts owed to any Credit Facility Provider pursuant to the applicable Reimbursement Agreement, the Authority assigns to the Trustee and such Credit Facility Provider all of the Authority's estate, right, title, interest and claim in, to and under the Mortgage and the Loan Agreement, except for certain Reserved Rights (as defined in the Assignment), together with all rights, powers, security interests, privileges, options and other benefits of the Authority thereunder, including, without limitation, the immediate and continuing right to receive, enforce and collect (and to apply the same in accordance with the Resolution) all insurance proceeds, sale proceeds and other payments, other security now or hereafter payable to or receivable by the Authority under the Mortgage and the Loan Agreement, and the right to make all waivers and agreements in the name and on behalf of the Authority, and to perform all other necessary and appropriate acts under the Mortgage and the Loan Agreement, subject to the following conditions: (a) that the Holders of the Bonds shall not be responsible or liable in any manner or to any extent for the performance of any of the covenants or provisions thereof to be performed by the Authority; and (b) the Mortgage may not be assigned by any party thereto without the written consent of the other parties thereto except to the Trustee and each Credit Facility Provider as permitted by the Resolution and except as provided in the Assignment; provided, however, that any grant, pledge and assignment of moneys, revenues, accounts, rights or other property of the Institution made with respect to the Mortgage pursuant to this paragraph shall secure only the payment of amounts payable under the Mortgage and the amounts payable under the Reimbursement Agreement. In addition, to the extent necessary to reflect the issuance of a Substitute Credit Facility with respect to a Series of Bonds, an Authorized Officer of the Trustee shall, upon written request of an Authorized Officer of the Authority, execute and deliver such amendments to or supplements of such

assignment as shall be necessary to add the provider of such Substitute Credit Facility as beneficiary of such assignment.

At or prior to the initial issuance and delivery of a Series of Bonds to be issued under the Resolution, upon delivery to the Trustee of evidence in writing from Authorized Officers of both the Authority and the Credit Facility Provider with respect to such Series to the effect that the Assignment among the Authority, such Credit Facility Provider and the Trustee is in form and substance satisfactory to them (which may be evidenced by the execution thereof by the Authority and such Credit Facility Provider), an Authorized Officer of the Trustee shall, upon determination by the Trustee that such Assignment is in form and substance satisfactory to it (which determination by the Trustee shall not be unreasonably withheld or delayed), execute and deliver to the Authority and such Credit Facility Provider such Assignment. In addition, an Authorized Officer of the Trustee shall execute and deliver to the Authority and such Credit Facility Provider such amendments to or supplements of such Assignment as may be requested by an Authorized Officer of the Authority.

(Section 1.04)

Authorization of Bonds

The Resolution authorizes the issuance of Bonds of the Authority to be designated as “The Bronx-Lebanon Hospital Center Revenue Bonds”, and creates a continuing pledge and lien as provided by the Resolution to secure the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on all the Bonds. The Bonds shall be special obligations of the Authority payable solely from the Revenues and all funds and accounts (excluding the Arbitrage Rebate Fund and the Credit Facility Provider Repayment Fund) established by the Resolution, all in the manner more particularly provided in the Resolution. The aggregate principal amount of Bonds which may be executed, authenticated and delivered is not limited except as provided by the Resolution.

The Bonds of the Authority shall not be a debt of the State, nor shall the State be liable thereon, nor shall the Bonds be payable out of any funds other than (i) those of the Authority pledged by the Resolution to the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on all of the Bonds and (ii) funds available to the Trustee under the applicable Credit Facility for the payment of the principal, Sinking Fund Installment, if any, and Redemption Price of and interest on the Bonds.

The Bonds may, if and when authorized by the Authority pursuant to the Resolution and to one or more Series Resolutions, be issued in one or more Series and the Bonds of each Series shall contain an appropriate Series designation.

(Section 2.01)

Provisions for Issuance of Bonds

The Bonds authorized to be issued shall be executed by the Authority in accordance with the Resolution and delivered to the Trustee. Such Bonds shall be authenticated by the Trustee and by it delivered to or upon the order of the Authority upon receipt of the consideration therefor and upon delivery to the Trustee of:

- (a) A copy of the Resolution and the Series Resolution authorizing such Bonds, certified by the Authority;
- (b) A copy of the Loan Agreement, certified by the Authority;

- (c) A copy of the Bond Series Certificate executed in connection with such Bonds;
- (d) The original, executed Credit Facility issued by the applicable Credit Facility Provider in connection with such Series of Bonds for the benefit of the Trustee;
- (e) A written order as to the delivery of such Bonds, signed by an Authorized Officer of the Authority, describing the Bonds to be delivered, designating the purchaser or purchasers to whom such Bonds are to be delivered and stating the consideration for such Bonds;
- (f) Except in the case of Refunding Bonds, a certificate of an Authorized Officer of the Authority stating that the Authority is not, and, as a result of the issuance of such Bonds, shall not be, in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Resolution;
- (g) Except in the case of Refunding Bonds, a certificate of an Authorized Officer of the Institution stating that the Institution is not, and, as a result of the issuance of such Bonds, shall not be, in default in the performance of any covenants, conditions, agreements or provisions contained in the Loan Agreement;
- (h) If Bonds of such Series are Book-Entry Bonds, unless the Trustee is a party thereto, a copy of the agreement between the Authority and the Depository for such Bonds;
- (i) A copy of the Assignment, or amendment thereto, with respect to such Series of Bonds executed by the Authority, the Credit Facility Provider and the Trustee;
- (j) An opinion or opinions of counsel to the Credit Facility Provider issuing and delivering the Credit Facility with respect to such Series of Bonds stating substantially to the effect that, in the opinion of such counsel, (i) the Credit Facility Provider is a banking association duly established and validly existing under the laws of the jurisdiction under which it is organized and has full corporate power and authority to execute and deliver the Credit Facility, (ii) such Credit Facility has been duly executed and delivered by the Credit Facility Provider and constitutes a legal, valid and binding obligation of the Credit Facility Provider enforceable against such Credit Facility Provider in accordance with its terms, except as limited by bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally or as to the availability of any particular remedy and by general principles of equity, (iii) no consent, approval or authorization of any governmental authority or public body in the place of incorporation of such Credit Facility Provider are required in connection with the issuance of the Credit Facility, (iv) the claims against such Credit Facility Provider under the Credit Facility will rank *pari passu* with all other unsecured unsubordinated liabilities of such Credit Facility Provider, including deposit liabilities, save to the extent that, in winding up or analogous proceedings, any liabilities are accorded preferential ranking by statute, and (v) such other matters as may be required by an Authorized Officer of the Authority;
- (k) An opinion of Bond Counsel stating, in the opinion of Bond Counsel, that the Resolution and the applicable Series Resolution authorizing the Series of Bonds have been duly and lawfully adopted by the members of the Authority; that the Resolution and the applicable Series Resolution are in full force and effect and are valid and binding upon the Authority and enforceable in accordance with their terms; that the Resolution creates the valid pledge and the valid lien upon the Revenues which it purports to create, subject only to the provisions of the Resolution permitting the withdrawal, payment, setting apart or appropriation thereof for the purposes and on the terms and conditions set forth in the Resolution and each applicable Series Resolution; and that the Authority is duly authorized and entitled to issue such Series of Bonds and, upon the execution and delivery thereof and upon authentication by the Trustee, such Bonds will be duly and validly issued and will constitute valid and binding special obligations of the Authority entitled to the benefits of the Resolution and each applicable Series Resolution; except as limited by bankruptcy, insolvency, reorganization,

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moratorium or other laws affecting creditors' rights generally or as to the availability of any particular remedy and by general principles of equity;

(l) The written consent of the Credit Facility Provider for each Outstanding Series of Bonds to the issuance of an additional Series of Bonds; and

(m) Such other instruments, documents, certificates, opinions, orders or other items required by the Authority to be delivered.

(Section 2.02)

Refunding Bonds

All or any portion of one or more Series of Refunding Bonds may be authenticated and delivered upon original issuance to refund all Outstanding Bonds, a portion of Outstanding Bonds, one or more Series of Outstanding Bonds, a portion of a Series of Outstanding Bonds or a portion of a maturity of a Series of Outstanding Bonds. The Authority may issue Refunding Bonds in an aggregate principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make such deposits required by the provisions of the Resolution and of the Series Resolution authorizing such Series of Refunding Bonds.

The Refunding Bonds of such Series shall be authenticated and delivered by the Trustee only upon receipt by the Trustee (in addition to the documents required by the Resolution) of:

(a) If the Bonds to be refunded are to be redeemed, irrevocable instructions to the Trustee, satisfactory to it, to give due notice of redemption of all the Bonds to be refunded on a redemption date specified in such instructions;

(b) Irrevocable instructions to the Trustee, satisfactory to it, to duly give the notice provided for in the defeasance provisions of the Resolution to the Holders of the Bonds being refunded;

(c) Either (i) moneys in an amount sufficient to effect payment at the applicable Redemption Price of the Bonds to be refunded, together with accrued interest on such Bonds to the maturity or redemption date, which money shall be held by the Trustee or any one or more of the Paying Agents in a separate account irrevocably in trust for and assigned to the respective Holders of the Bonds to be refunded or (ii) Defeasance Securities in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications, as shall be necessary to comply with the provisions of the Resolution, which Defeasance Securities and moneys shall be held in trust and used only as provided in the defeasance provisions of the Resolution; and

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

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

(Section 2.04)

Issuance of Additional Obligations; Incurrence of Alternative Parity Indebtedness

The Authority reserves the right to issue bonds, notes or any other obligations or otherwise incur indebtedness pursuant to other and separate resolutions or agreements of the Authority, so long as such bonds, notes or other obligations are not, or such other indebtedness is not, entitled to a charge or lien or right prior or equal to the charge or lien created by the Resolution, or prior or equal to the rights of the Authority and Holders of Bonds provided by the Resolution or with respect to the moneys pledged under the Resolution; provided, however, that the Institution may incur Alternative Parity Indebtedness in accordance with the terms of the Loan Agreement.

(Section 2.05)

Place and Medium of Payment

The Bonds shall be payable, with respect to interest, principal, Sinking Fund Installments and Redemption Price, in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts. Except as provided in the Resolution with respect to Book Entry Bonds, principal, Sinking Fund Installments or Redemption Price of such Bonds shall be payable at the corporate trust office of the Trustee upon presentation and surrender thereof. Interest on the Bonds shall be paid by check or draft mailed to the registered owner thereof at the address thereof as it appears on the registry books of the Authority; provided, however, that in the event that the Bonds are no longer held in book-entry form, interest on Bonds of such Series may be authorized to be paid, at the option of the registered owner of at least one million dollars (\$1,000,000) in principal amount of Bonds of such Series, by wire transfer to such registered owner at the wire transfer address in the continental United States to which such registered owner has, not less than five (5) days prior to the Record Date for such Bonds, directed the Trustee to wire such interest payment. Interest is payable to the registered owner of a Bond at the close of business on the Record Date for such Bond. All payments of principal, Sinking Fund Installments or Redemption Price of or interest on Bonds shall specify the CUSIP number or numbers of the Bonds in connection with which such payment is made.

The Bonds of each Series shall be issued in the form of fully registered Bonds without coupons.

Bonds of each Series issued prior to the first Interest Payment Date thereof shall be dated as of the date specified in the Series Resolution authorizing the issuance thereof or the Bond Series Certificate applicable thereto. Bonds of each Series issued on or subsequent to the first Interest Payment Date thereof shall be dated as of the Interest Payment Date immediately preceding the date of authentication thereof by the Trustee, unless such date of authentication shall be an Interest Payment Date, in which case they shall be dated as of such date of authentication; provided, however, that if, as shown by the records of the Trustee, interest on the Bonds of any Series shall be in default, the Bonds of such Series issued in lieu of Bonds surrendered for transfer or exchange may be dated as of the date to which interest has been paid in full on the Bonds surrendered. Bonds of each Series shall bear interest from their date.

For all purposes of the Act relating to or dealing with the date of the Bonds, Bonds of any Series shall be deemed to be dated as of the date provided for the Bonds of such Series in the manner provided in the Series Resolution authorizing the issuance thereof or the Bond Series Certificate.

All Bonds of each Series shall mature on February 15 and/or August 15 of each year in which a maturity is fixed by the Series Resolution authorizing the issuance thereof or the Bond Series Certificate applicable thereto. Interest on all Bonds of each Series, except the first installment of interest due on such Bonds of a Series shall be payable on each Interest Payment Date as fixed in a Series Resolution authorizing the issuance thereof or the Bond Series Certificate. The first installment of interest due on the Bonds may be

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for such period as the Authority shall fix in a Series Resolution authorizing the issuance thereof or the Bond Series Certificate.

(Section 3.01)

Legends, CUSIP Numbers

The Bonds may contain, or have endorsed thereon, such provisions, specifications and descriptive words not inconsistent with the Resolution, as may be necessary or desirable and as may be determined by the Authority prior to their delivery.

The Authority, if requested by the purchaser of the Bonds, shall provide for the assignment of CUSIP numbers for such Bonds and cause such CUSIP numbers printed thereon, and the Trustee shall use such CUSIP numbers in notices of redemption and on all checks payable to Bondholders as a convenience to Bondholders, provided that any such notice shall state that no representation is made as to the correctness of such number either as printed on such Bonds or as contained in any notice of redemption or tender, and that an error in a CUSIP number as printed on such Bond or as contained in any notice of redemption or of tender shall not affect the validity of the proceedings for redemption or tender.

(Section 3.02)

Execution and Authentication

The Bonds shall be executed in the name of the Authority by the manual or facsimile signature of its Chairman, Vice Chairman or other Authorized Officer and its corporate seal (or a facsimile thereof) shall be thereunto affixed, imprinted, engraved or otherwise reproduced, and attested by the manual or facsimile signature of the Secretary, an Assistant Secretary or other Authorized Officer of the Authority, or in such other manner as may be permitted by law. In case any one or more of the officers or employees who shall have signed or sealed any of the Bonds shall cease to be such officer or employee before the Bonds so signed and sealed shall have been actually authenticated and delivered by the Trustee, such Bonds may, nevertheless, be delivered as provided in the Resolution, and may be issued as if the persons who signed or sealed such Bonds had not ceased to hold such offices or be so employed. Any Bond may be signed and sealed on behalf of the Authority by such persons as at the actual time of the execution of such Bond shall be duly authorized or hold the proper office in or be employed by, the Authority, although at the date of the Bonds such persons may not have been so authorized or have held such office or employment.

The Bonds of each Series shall bear thereon a certificate of authentication, in the form set forth in a Series Resolution authorizing the issuance thereof or the Bond Series Certificate, executed by the Trustee by manual or facsimile signature. Only such Bonds as shall bear thereon such certificate of authentication shall be entitled to any right or benefit under the Resolution and no Bond shall be valid or obligatory for any purpose until such certificate of authentication shall have been duly executed by the Trustee. Such certificate of the Trustee upon any Bond executed on behalf of the Authority shall be conclusive evidence that the Bond so authenticated has been duly authenticated and delivered under the Resolution and that the Holder thereof is entitled to the benefits of the Resolution.

(Section 3.03)

Interchangeability of Bonds

Bonds, upon surrender thereof at the corporate trust office of the Trustee with a written instrument of transfer satisfactory to the Trustee, duly executed by the registered owner or his attorney duly authorized in

writing, may, at the option of the registered owner thereof, be exchanged for an equal aggregate principal amount of Bonds of the same maturity and tenor of any other authorized denominations.

(Section 3.04)

Negotiability, Transfer and Registry

All Bonds issued under the Resolution shall be negotiable as provided in the Act, subject to the provisions for registration and transfer contained in the Resolution and in the Bonds. So long as any of the Bonds shall not have matured or been called for redemption, the Authority shall maintain and keep, or cause to be maintained and kept, at the corporate trust office of the Trustee, books for the registration and transfer of Bonds; and, upon presentation thereof for such purpose at said office, the Authority shall register or cause to be registered therein, and permit to be transferred thereon, under such reasonable regulations as it or the Trustee may prescribe, any Bond entitled to registration or transfer. So long as any of the Bonds have not matured or been called for redemption, the Authority shall make all necessary provisions to permit the exchange of Bonds at the corporate trust office of the Trustee.

(Section 3.05)

Transfer of Bonds

Each Bond shall be transferable only upon the books of the Authority, which shall be kept for that purpose at the corporate trust office of the Trustee, by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his duly authorized attorney and the payment of a charge sufficient to reimburse the Authority or the Trustee for any tax, fee or other governmental charge required to be paid with respect to such transfer. Upon the transfer of any such Bond, the Authority shall cause to be issued in the name of the transferee a new Bond or Bonds of the same aggregate principal amount, maturity and tenor as the surrendered Bond.

The Authority and the Trustee may deem and treat the person in whose name any Outstanding Bond shall be registered upon the books of the Authority as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal, Sinking Fund Installments, if any, or Redemption Price of and, subject to the provisions of the Resolution with respect to Record Dates, interest on such Bond and for all other purposes whatsoever, and all such payments so made to any such registered owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums paid, and neither the Authority nor the Trustee shall be affected by any notice to the contrary. The Authority agrees to indemnify and save the Trustee harmless from and against any and all loss, cost, charge, expense, judgment or liability incurred by it, acting in good faith and without negligence, in so treating such registered owner.

(Section 3.06)

Regulations With Respect to Exchanges and Transfers

In all cases in which the privilege of exchanging Bonds or transferring Bonds is exercised, the Authority shall execute and the Trustee shall authenticate and deliver Bonds in accordance with the provisions of the Resolution. All Bonds surrendered in any such exchanges or transfers shall forthwith be canceled by the Trustee. For every such exchange or transfer of Bonds, whether temporary or definitive, the Authority or the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer, which sum or sums shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or

transfer. Notwithstanding any other provisions of the Resolution, the cost of preparing each new Bond upon each exchange or transfer, and any other expenses of the Authority or the Trustee incurred in connection therewith, shall be paid by the person requesting such exchange or transfer. The Authority shall not be obliged to make, or cause to be made, any exchange or transfer of Bonds of any Series during the period beginning on the Record Date for such Bonds next preceding an Interest Payment Date on such Bonds and ending on such Interest Payment Date, or, in the case of any proposed redemption of Bonds, after the date next preceding the date of the selection of Bonds to be redeemed.

(Section 3.07)

Bonds Mutilated, Destroyed, Lost or Stolen

In case any Bond shall become mutilated or be destroyed, lost or stolen, the Authority in its discretion may execute, and upon its request the Trustee shall authenticate and deliver, a new Bond of like Series, maturity, tenor and principal amount as the Bond so mutilated, destroyed, lost or stolen, in exchange and substitution for the mutilated, destroyed, lost or stolen Bond, upon surrender and cancellation of such mutilated Bond or in lieu of and substitution for such Bond so destroyed, lost or stolen, upon filing with the Authority evidence satisfactory to the Authority and the Trustee that such Bond has been destroyed, lost or stolen and proof of ownership thereof, and upon furnishing the Authority and the Trustee with indemnity satisfactory to them and complying with such other reasonable regulations as the Authority and the Trustee may prescribe and paying such expenses as the Authority and the Trustee may incur in connection therewith. All Bonds so surrendered to the Trustee shall be canceled by it and evidence of such cancellation shall be given to the Authority. In case any Bond which has matured or is about to mature shall have become mutilated or have been destroyed, lost or stolen, the Authority may, instead of issuing a Bond in exchange or substitution therefor, pay or authorize the payment of such mutilated Bond and upon the surrender on or after the maturity date thereof, or authorize the payment of such destroyed, lost or stolen Bond, upon the Holder thereof filing evidence satisfactory to the Authority and the Trustee that such Bond has been destroyed, lost or stolen and proof of ownership thereof, and upon furnishing the Authority and the Trustee with indemnity satisfactory to them and complying with such other reasonable regulations as the Authority and the Trustee may prescribe and paying such expenses as the Authority and the Trustee may incur in connection therewith.

(Section 3.08)

Pledge of Revenues

Subject to the Assignment and to certain other provisions of the Resolution, the proceeds from the sale of the Bonds, the Revenues, the Authority's security interest in the Gross Receipts and all funds and accounts established by the Resolution and by any Series Resolution, other than the Credit Facility Provider Repayment Fund and the Arbitrage Rebate Fund, are pledged by the Resolution and assigned to the Trustee as security for the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Bonds and as security for the performance of any other obligation of the Authority under the Resolution and under any Series Resolution and, together with the Credit Facility Provider Repayment Fund, to each Credit Facility Provider as security for the Institution's performance of its obligations under the applicable Reimbursement Agreement, all in accordance with the provisions of the Resolution and thereof. The pledge made by the Resolution is valid, binding and perfected from the time when the pledge attaches and the proceeds from the sale of the Bonds, the Revenues, the Authority's security interest in the Gross Receipts and all funds and accounts established by the Resolution and by any Series Resolution which are pledged by the Resolution shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid, binding and perfected as against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of whether such parties have notice thereof. No instrument by which such pledge is created nor any financing statement need be recorded or filed. The Bonds shall be special obligations of the Authority payable solely from and secured by a pledge of the

proceeds from the sale of the Bonds, the Revenues, the Authority's security interest in the Gross Receipts and the funds and accounts established by the Resolution and which are pledged by the Resolution as provided in the Resolution, which pledge shall constitute a first lien thereon; provided, however, that the Institution may incur Alternative Parity Indebtedness as provided in the Loan Agreement.

(Section 5.01)

Establishment of Funds and Accounts

The following funds are established by the Resolution and shall be held and maintained by the Trustee:

Credit Facility Provider Repayment Fund;
Construction Fund;
Debt Service Fund; and
Arbitrage Rebate Fund.

There is also established in the Debt Service Fund (i) a Credit Facility Account and (ii) a Redemption Account. Additional accounts and sub-accounts within each of the aforementioned funds or accounts may be established with respect to any Series of Bonds in accordance with a Series Resolution, a Bond Series Certificate or at the direction of the Authority. All moneys at any time deposited in any fund, account or sub-account created and pledged by the Resolution or by any Series Resolution or required thereby to be created, other than the Credit Facility Provider Repayment Fund and the Arbitrage Rebate Fund, shall be held in trust for the benefit of the Holders of Bonds, but shall nevertheless be disbursed, allocated and applied solely for the uses and purposes provided in the Resolution.

(Section 5.02)

Application of Bond Proceeds and Allocation Thereof

Upon the receipt of proceeds from the sale of a Series of Bonds, the Authority shall apply such proceeds as specified in the Resolution and in the Series Resolution authorizing such Series or the Bond Series Certificate relating to such Series.

Accrued interest, if any, received upon the delivery of the Bonds shall be deposited in the appropriate account in the Debt Service Fund unless all or any portion of such amount is to be otherwise applied as specified in the Bond Series Certificate.

(Section 5.03)

Application of Moneys in the Construction Fund

1. As soon as practicable after the delivery of each Series of Bonds, the Trustee shall deposit in the Construction Fund the amount required to be deposited therein pursuant to the Series Resolution authorizing such Series or the Bond Series Certificate. In addition, the Authority shall pay over to the Trustee and the Trustee shall deposit in the Construction Fund any moneys paid to the Authority pursuant to the Resolution.

2. Except as otherwise provided in the Resolution and in any applicable Series Resolution or Bond Series Certificate, moneys deposited in the Construction Fund shall be used only to pay the Costs of Issuance of the Bonds and the Costs of the Project. For purposes of internal accounting, the Construction Fund may combine one or more further accounts or subaccounts, as the Authority or the Trustee may deem proper.

3. Payments for Costs of Issuance shall be made by the Trustee upon receipt of, and in accordance with, a certificate or certificates of the Authority stating the names of the payees, the purpose of each payment in terms sufficient for identification, and the respective amounts of each such payment. Payments for Costs of the Project shall be made by the Trustee upon receipt of, and in accordance with, a certificate or certificates of the Authority, substantiated by a certificate filed with the Authority signed by an Authorized Officer of the Institution, naming the Project in connection with which such payment is to be made and approved by the Credit Facility Provider of the Credit Facility with respect to the Series of Bonds issued in connection with such Project in writing describing in reasonable detail the purpose for which moneys were used and the amount thereof, and further stating that such purpose constitutes a necessary part of the Costs of the Project except that payments to pay interest on Bonds shall be made by the Trustee upon receipt of, and in accordance with, the direction of the Authority directing the Trustee to transfer such amount from the Construction Fund to the Debt Service Fund. No such Institution certificate shall be necessary in connection with the Costs of Issuance.

4. Any proceeds of insurance, condemnation or eminent domain awards received by the Trustee, the Authority or the Institution with respect to the Project or any Mortgaged Property shall be deposited in the Construction Fund and, if necessary, such fund may be re-established for such purpose and, if not used to repair, restore or replace the Project, transferred to the Debt Service Fund for the redemption of Bonds.

5. A Project shall be deemed to be complete upon delivery to the Authority, the Credit Facility Provider and the Trustee of a certificate signed by an Authorized Officer of the Institution, which certificate shall be delivered as soon as practicable after the date of completion of the Project, or upon delivery to the Institution and the Trustee of a certificate of the Authority and approved by the applicable Credit Facility Provider, which certificate may be delivered at any time after completion of the Project, all in accordance with the terms of the Loan Agreement. Such certificate shall state that the Project has been completed substantially in accordance with the plans and specifications, if any, applicable to the Project and that the Project is ready for occupancy, and, in the case of a certificate of an Authorized Officer of the Institution, shall specify the date of completion.

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

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

Second: To the Debt Service Fund to be applied to the redemption of Bonds as provided in the Resolution, any balance remaining.

(Section 5.04)

Deposit of Revenues and Allocation Thereof

1. The Revenues and any other moneys, which, by any of the provisions of the Loan Agreement, are required to be paid to the Trustee (other than moneys derived from gifts or grants required to be used to pay Costs of the Project and paid to the Trustee for deposit in the Construction Fund pursuant to the Loan Agreement) shall upon receipt thereof be deposited or paid by the Trustee as follows and in the following order of priority:

First: To the Debt Service Fund, an amount equal to (a) one-sixth (1/6) of the interest on Outstanding Bonds payable on the next succeeding Interest Payment Date of such Bonds; (b) an amount equal to pay one-

sixth (1/6) of the principal and Sinking Fund Installments becoming due on the Outstanding Bonds on the next succeeding February 15 or August 15; and (c) to the Redemption Account of the Debt Service Fund, moneys which are required or have been set aside for the redemption of Bonds, including moneys derived from proceeds of the Bonds or from gifts and grants or otherwise remaining in the Construction Fund at the time of Completion of the Project pursuant to the Resolution;

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

Third: To the Authority, unless otherwise paid, such amounts as are payable to the Authority for: (i) any expenditures of the Authority for fees and expenses of auditing, and fees and expenses of the Trustee and Paying Agents, all as required by the Resolution, (ii) all other expenditures reasonably and necessarily incurred by the Authority in connection with the financing of the Project, including expenses incurred by the Authority to compel full and punctual performance of all the provisions of the Loan Agreement or the Mortgage in accordance with the terms thereof, and (iii) any fees of the Authority; but only upon receipt by the Trustee of a certificate signed by an Authorized Officer of the Authority, stating in reasonable detail the amounts payable to the Authority pursuant to this paragraph.

2. After making the above required payments, any balance of Revenues remaining on the immediately succeeding February 15 shall be paid by the Trustee to the Institution upon and in accordance with the direction of the Authority in the respective amounts set forth in such direction, free and clear of any pledge, lien, encumbrance or security interest created by the Resolution or by the Loan Agreement. The Trustee shall notify the Authority and the Institution promptly after making the above required payments of any balance of Revenues remaining on the immediately succeeding February 15.

(Section 5.05)

Credit Facility; Credit Facility Provider Repayment Fund

1. Unless otherwise provided in a Series Resolution with respect to a Credit Facility for a particular Series of Bonds, the Trustee shall draw on the applicable Credit Facility in accordance with its terms at such times as are necessary in order to allow the Trustee to make the payments required under the Resolution with respect to such Series of Bonds for which the Credit Facility was issued on the date such payments are due. The Trustee shall deposit all amounts drawn under the Credit Facility in the Credit Facility Account of the Debt Service Fund. The Trustee shall establish a separate subaccount within the Credit Facility Account for each Series of Bonds issued under the Resolution and under any Series Resolution. Only amounts drawn under the Credit Facility and any investment earnings thereon shall be deposited in the Credit Facility Account. All other moneys deposited in the Debt Service Fund shall be held separate and apart from the Credit Facility Account. Amounts drawn under a Credit Facility shall be held by the Trustee in the Credit Facility Account and shall not be commingled with any other moneys held by the Trustee. Amounts drawn under the Credit Facility shall not be deemed the property of the Authority or the Institution.

Amounts deposited in any subaccount of the Credit Facility Account shall be held separate and segregated and shall not be commingled with amounts held in any other subaccount of the Credit Facility Account.

2. Each account within the Credit Facility Provider Repayment Fund shall be held for the exclusive benefit of the applicable Credit Facility Provider. The Trustee shall establish a separate account within the Credit Facility Provider Repayment Fund for each Series of Bonds issued under the Resolution and under any Series Resolution. Unless otherwise provided in a Series Resolution with respect to a Credit Facility for a particular Series of Bonds, and subject to the second succeeding sentence, by the close of business, New York City time, on the day on which the Trustee has received amounts drawn under a Credit Facility, the

Trustee shall withdraw from the applicable account in the Credit Facility Provider Repayment Fund an amount sufficient to reimburse the Credit Facility Provider under whose Credit Facility funds were drawn for the amount of such draw and shall transfer such amount to the Credit Facility Provider. The Trustee shall not transfer moneys from the Debt Service Fund or any other fund to reimburse a Credit Facility Provider for amounts drawn on such Credit Facility Provider's Credit Facility until after the amounts drawn on the Credit Facility shall have been deposited into the Credit Facility Account. The Trustee shall notify the Institution in writing promptly following each payment to a Credit Facility Provider with amounts in the Credit Facility Provider Repayment Fund.

(Section 5.06)

Debt Service Fund

1. The Trustee shall pay and permit the withdrawal of amounts on deposit in the Debt Service Fund on an Interest Payment Date and scheduled redemption date as follows:

- (a) the interest due and payable on all Outstanding Bonds on such Interest Payment Date;
- (b) the principal amount due and payable on all Outstanding Bonds on such Interest Payment Date;
- (c) the Sinking Fund Installments, if any, due and payable on all Outstanding Bonds on such Interest Payment Date; and
- (d) moneys required for the redemption of Bonds in accordance with the Resolution.

The amounts paid out pursuant to the Resolution shall be irrevocably pledged to and applied to such payments.

2. The Trustee shall make the payments required to be made pursuant to the provisions of the Resolution described in paragraph 1 above with amounts on deposit in the Credit Facility Account. If the amounts on deposit in the Credit Facility Account are insufficient to make such payments, then the Trustee shall use other Available Moneys on deposit in the Debt Service Fund. On the day that amounts drawn under the Credit Facility are received by the Trustee and deposited in the Credit Facility Account, the Trustee shall withdraw from the Debt Service Fund (other than the Credit Facility Account) an amount sufficient to reimburse the applicable Credit Facility Provider for the amount of such draw under the Credit Facility Provider's Credit Facility and for any other previously unreimbursed draw on the Credit Facility, and shall transfer such amounts to the applicable account within the Credit Facility Provider Repayment Fund.

3. In the event that the moneys on deposit in the applicable subaccount Credit Facility Account and other Available Moneys in the Debt Service Fund are insufficient to make the payments required to be made pursuant to the provisions of the Resolution described in paragraph 1 above, then the Trustee shall use any other moneys on deposit in the Debt Service Fund other than moneys on deposit in another subaccount of the Credit Facility Account and further provided that no moneys in the Redemption Account or any subaccount thereof shall be used to make payments attributable to interest payments due under the provisions of the Resolution described in paragraph 1 above.

4. Amounts drawn on the Credit Facility and the earnings thereon shall not be paid to the Authority or the Institution pursuant to the defeasance provisions of the Resolution or any other provision of the Resolution or the Loan Agreement, notwithstanding anything in the defeasance provisions of the Resolution or any other provision of the Resolution, any Series Resolution, any Bond Series Certificate or the Loan Agreement to the contrary. Notwithstanding any other provisions of the Resolution to the contrary,

neither the Trustee nor the Paying Agent shall have a lien on any Available Moneys, amounts being held to become Available Moneys, amounts drawn under any Credit Facility or the investment earnings thereon nor shall the Trustee or the Paying Agent apply such amounts to pay any amounts other than principal, Sinking Fund Installments, if any, or Redemption Price of or interest on Bonds.

(Section 5.07)

Arbitrage Rebate Fund

The Arbitrage Rebate Fund shall be maintained by the Trustee as a fund separate from any other fund established and maintained under the Resolution. Within the Arbitrage Rebate Fund, the Trustee shall maintain such accounts as shall be required by the Authority in order to comply with the terms and requirements of a Tax Certificate and Agreement. Subject to the provisions of the Resolution summarized in subparagraph 5 below, all money at any time deposited in the Arbitrage Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement (as defined in the applicable Tax Certificate and Agreement), for payment to the Department of the Treasury of the United States of America, and the Authority or the owner of any Bonds shall not have any rights in or claim to such money. All amounts deposited into or on deposit in the Arbitrage Rebate Fund shall be governed by the relevant provisions of the Resolution and by the applicable Tax Certificate and Agreement (which is incorporated herein by reference). The Trustee shall be deemed conclusively to have complied with the provisions of the Resolution summarized herein and with such provisions of the applicable Tax Certificate and Agreement if it follows the directions of an Authorized Officer of the Authority including supplying all necessary written information, to the extent the Trustee has such information, in the manner provided in the applicable Tax Certificate and Agreement, and shall have no liability or responsibility for compliance (except as specifically set forth in the Resolution or in the Tax Certificate and Agreement) or to enforce compliance by the Authority with the terms of the Tax Certificate and Agreement.

1. Upon the written direction of the Authority, the Trustee shall deposit in the Arbitrage Rebate Fund funds received from the Authority, so that the balance of the amount on deposit thereto shall be equal to the Rebate Requirement. Computations of the Rebate Requirement shall be furnished by or on behalf of the Authority in accordance with the applicable Tax Certificate and Agreement.

2. The Trustee shall have no obligation to rebate any amounts required to be rebated pursuant to the Resolution, other than from moneys held in the funds and accounts (other than the Credit Facility Account) created under the Resolution or from other moneys provided to it by the Authority.

3. The Trustee shall invest all amounts held in the Arbitrage Rebate Fund as provided in written directions of the Authority. The Authority, in issuing such directions, shall comply with the restrictions and instructions set forth in the applicable Tax Certificate and Agreement. Moneys may only be applied from the Arbitrage Rebate Fund as provided in subparagraph 5 below.

4. The Trustee, upon the receipt of written instructions and certification of the Rebate Requirement from an Authorized Officer of the Authority, shall pay the amount of such Rebate Requirement to the Department of the Treasury of the United States of America, out of amounts in the Arbitrage Rebate Fund, as so directed.

5. Notwithstanding any other provisions of the Resolution, the obligation to remit the Rebate Requirement to the United States of America and to comply with all other arbitrage requirements of the Resolution, tax covenants contained in the Resolution and any Tax Certificate and Agreement shall survive the defeasance or payment in full of the Bonds.

(Section 5.10)

Application of Moneys in the Debt Service Fund for Redemption of Bonds

1. Moneys delivered to the Trustee, which by the provisions of the Loan Agreement or the Resolution are to be applied for redemption of the Bonds (or to reimburse a Credit Facility Provider for amounts drawn on the applicable Credit Facility to make such payments), shall upon receipt by the Trustee be deposited to the credit of the appropriate account in the Debt Service Fund for such purpose.

2. In the event that on any Interest Payment Date the amount in the Debt Service Fund, exclusive of amounts therein deposited for the redemption of Bonds, shall be less than the amounts respectively required for payment of interest on Outstanding Bonds, for the payment of principal of such Outstanding Bonds or for the payment of Sinking Fund Installments of such Outstanding Bonds due and payable on such Interest Payment Date, the Trustee shall apply moneys in the Debt Service Fund deposited therein for the redemption of such Bonds (other than moneys required to pay the Redemption Price of any such Outstanding Bonds theretofore called for redemption, including accrued interest on such Bonds to the date of redemption), in the following order of priority, to pay (or to reimburse a Credit Facility Provider for amounts drawn on the applicable Credit Facility to pay) interest on, principal of or Sinking Fund Installments of such Bonds, respectively.

3. Subject to the provisions of the Resolution summarized in the preceding subparagraph 2, Available Moneys in the Debt Service Fund to be used for redemption of Bonds shall be applied by the Trustee to the purchase of Outstanding Bonds at purchase prices not exceeding the Redemption Price applicable on the next Interest Payment Date on which such Bonds are redeemable, plus accrued interest to such date, at such times, at such purchase prices and in such manner as the Authority shall direct.

4. Notwithstanding the provisions of the Resolution summarized in the preceding subparagraph 3, if the amount in the Debt Service Fund at any time (other than moneys required to pay (or to reimburse a Credit Facility Provider for amounts drawn on the applicable Credit Facility to pay) the Redemption Price of any Outstanding Bonds theretofore called for redemption, including accrued interest on such Bonds to the date of redemption) is sufficient to make provision pursuant to the defeasance provisions of the Resolution for the payment of such Outstanding Bonds at the maturity or redemption date thereof, the Authority may request the Trustee to take such action consistent with the defeasance provisions of the Resolution as is required thereby to deem certain of such Bonds to have been paid within the meaning of the defeasance provisions of the Resolution. The Trustee, upon receipt of such request, the irrevocable instructions required by the defeasance provisions of the Resolution and irrevocable instructions of the Authority to purchase direct obligations of the United States of America sufficient to make any deposit required thereby, shall comply with such request.

(Section 5.11)

Application of Moneys in Certain Funds for Retirement of Bonds

Notwithstanding any other provisions of the Resolution, if at any time the amounts of Available Moneys held in the Debt Service Fund are sufficient to pay the principal or Redemption Price of all Outstanding Bonds and the interest accrued and unpaid and to accrue on such Bonds to the next date of redemption when all such Bonds are redeemable, or to make provision pursuant to the defeasance provisions of the Resolution for the payment of the Outstanding Bonds at the maturity or redemption dates thereof, the Trustee shall so notify the Authority, each Credit Facility Provider and the Institution. Upon receipt of such notice, the Authority may (i) direct the Trustee to redeem all such Outstanding Bonds, whereupon the Trustee shall proceed to redeem or provide for the redemption of such Outstanding Bonds in the manner provided for redemption of such Bonds by the Resolution as provided in the Resolution or (ii) give the Trustee irrevocable instructions in accordance with the defeasance provisions of the Resolution and make provision for the payment of the Outstanding Bonds at the maturity or redemption dates thereof in accordance therewith.

(Section 5.12)

Transfer of Investments

Whenever moneys in any fund or account established under the Resolution are to be paid in accordance with the Resolution to another such fund or account, such payment may be made, in whole or in part, by transferring to such other fund or account investments held as part of the fund or account from which such payment is to be made, whose value, together with the moneys, if any, to be transferred, is at least equal to the amount of the payment then to be made, provided that no such transfer of investments would result in a violation of any investment standard or guideline applicable to such fund.

(Section 5.13)

Draw Upon a Credit Facility

In addition to draws upon the applicable Credit Facility for purposes of paying regularly scheduled principal and interest on the Bonds, the Trustee shall immediately draw upon the applicable Credit Facility upon the occurrence of: (i) a special mandatory redemption of the Bonds of the applicable Series pursuant to the Resolution or the terms of any Bond Series Certificate or Series Resolution for such Series of Bonds or (ii) an acceleration of the Bonds of the applicable Series pursuant to the Resolution. The amount to be drawn under the Credit Facility shall be the full extent of the amounts available thereunder necessary to pay the principal, Sinking Fund Installments or Redemption Price of (as and to the extent that any premium, is provided for under the terms of the Credit Facility), and up to 206 days (or such lesser number of days as may be provided in a Series Resolution with respect to a Credit Facility for such Series of Bonds) of interest on, all Outstanding Bonds of the applicable Series on the date on which the same shall be due, including upon the declaration that the principal of and interest on all Outstanding Bonds of the applicable Series is immediately due and payable in accordance with the Resolution.

The Trustee shall immediately draw on the applicable Credit Facility in accordance with its terms and is authorized by the Resolution to do all acts necessary to comply with such terms. At such time as the Trustee is required to draw on a Credit Facility pursuant to the Resolution, the Trustee shall present the documents required by such Credit Facility.

Notwithstanding any other provision of the Resolution, amounts drawn under a Credit Facility shall be used solely to make payments on the Series of Bonds in respect of which such Credit Facility was issued and shall not be used for any other purpose.

(Section 6.01)

Amendments to Credit Facility

The Trustee shall not consent to any amendment, supplement, modification or waiver to a Credit Facility which, in the Trustee's reasonable judgment, would materially adversely affect the interest of the Holders of the Outstanding Bonds of the applicable Series.

The Bonds of a Series shall be deemed to be adversely affected by an amendment, change, modification, alteration or termination of the applicable Credit Facility if the same adversely affects or diminishes the rights of the Holders of such Bonds. The Trustee may in its discretion, and without any liability to the Authority or Bondholders, determine whether or not, in accordance with the foregoing provisions, the Bonds of a Series would be adversely affected by any amendment, change, modification, alteration or termination, and any such determination shall be binding and conclusive on the Authority and the Holders of all such Bonds.

The Trustee shall be entitled to rely upon an opinion of counsel, including an opinion of Bond Counsel, which counsel shall be satisfactory to the Authority, with respect to whether any amendment, change, modification or alteration adversely affects the interests of any Holders of Bonds of a Series then Outstanding in any material respect.

(Section 6.02)

Cancellation Upon Defeasance

In the event the Bonds of a Series are no longer Outstanding for the reason that such Bonds have been paid or deemed to have been paid in accordance with the defeasance provisions of the Resolution, then the Trustee shall surrender the applicable Credit Facility to the issuer of such Credit Facility for cancellation as provided in such Credit Facility.

(Section 6.04)

Substitute Credit Facility

1. Subject to the provisions of any applicable Series Resolution, the Authority may, at any time, at its option, upon written notice to a Credit Facility Provider, or the Institution may, at any time, at its option with the prior written consent of the Authority and upon written notice to a Credit Facility Provider, deliver or cause to be delivered to the Trustee a Substitute Credit Facility provided by the Institution. No such Substitute Credit Facility shall be or become effective for purposes of the Resolution unless, (a) the terms thereof are in all material respects the same as or more favorable to the Holders of the Bonds of such Series for which such Substitute Credit Facility will be issued than the then existing Credit Facility and the amount of such Substitute Credit Facility is not less than the sum of the principal amount of Bonds Outstanding of such Series plus interest thereon for 206 days (or such lesser number of days as may be provided in a Series Resolution with respect to a Credit Facility for such Series of Bonds), (b) on or prior to the date of issuance thereof, the Authority shall have furnished to the Trustee (i) a Favorable Opinion of Bond Counsel which opinion shall also state that the execution or delivery of such Substitute Credit Facility is authorized under the Resolution and complies with the terms thereof, and (ii) an opinion or opinions of counsel to the Credit Facility Provider issuing such Substitute Credit Facility, satisfactory in form and substance to the Authority and the Trustee, with respect to the matters set forth in the Resolution, (c) the Institution delivers to the Trustee a certificate of the Credit Facility Provider that all amounts due under the Reimbursement Agreement have been paid and (d) written evidence from the rating agencies then assigning ratings to the applicable Series of Bonds to the effect that such Rating Service has reviewed the proposed Substitute Credit Facility and that the issuance of such Substitute Credit Facility (A) will not, by itself, result in a reduction or withdrawal of its rating of such Series of Bonds from the rating which then prevails and (B) will not cause such Series of Bonds to rated below investment grade. The Trustee shall give written notice of the delivery of any such Substitute Credit Facility to such rating agencies.

2. Any Credit Facility Provider issuing a Substitute Credit Facility shall have a combined capital stock, surplus and undivided profits of at least \$125,000,000; provided, however, that with respect to a branch or an agency of a foreign bank, the combined capital stock, surplus and undivided profits of both the branch or the agency and the foreign bank shall be utilized in order to fulfill this requirement as long as a favorable opinion of counsel is received by the Trustee, in form and substance satisfactory to the Trustee, as to the enforceability of a judgment rendered in an American court with respect to the obligations of the Credit Facility Provider under the Substitute Credit Facility in the jurisdiction of organization of such foreign bank. Any such Credit Facility Provider shall be authorized by law to perform all the duties and obligations thereof under the Resolution. A Substitute Credit Facility shall be effective and moneys shall be available to be drawn thereunder not later than the date on which the existing Credit Facility expires or is terminated.

3. A Substitute Credit Facility shall be delivered to the Trustee not less than sixty (60) days prior to the expiration date of the Credit Facility, provided, however, that such Substitute Credit Facility may provide that amounts may not be drawn thereunder prior to the expiration or termination date of the then existing Credit Facility. Within thirty (30) days following the delivery of a Substitute Credit Facility to the Trustee, the Trustee shall give notice to the Holders of the Outstanding Bonds of such Series for which such Substitute Credit Facility has been delivered, which notice shall contain (i) a description of such Substitute Credit Facility (including the date of expiration thereof); (ii) the name of the Credit Facility Provider issuing such Substitute Credit Facility; (iii) a statement that the ratings on such Series of Bonds (a) will not, as a result of the substitution of such Substitute Credit Facility for the then existing Credit Facility, be reduced or withdrawn and (b) will be at least investment grade; and (iv) a statement that the Favorable Opinion of Bond Counsel and the opinion(s) of counsel to the Credit Facility Provider issuing the Substitute Credit Facility necessary for such Substitute Credit Facility to become effective have been obtained. Such notice shall be sent by first-class mail, postage prepaid, or, at the option of the Trustee, by certified mail return receipt requested, to the registered owners of the Bonds of Such Series for which such Substitute Credit Facility has been delivered, at their last known addresses, if any, appearing on the registration books. Upon giving such notice, the Trustee shall promptly certify to the Authority that it has mailed or caused to be mailed such notice to the Holders of the Bonds of such Series in the manner provided in the Resolution. Such certificate shall be conclusive evidence that such notice was given in the manner required by the Resolution. The failure of any Holder of a Bond of such Series to receive such notice shall not affect the validity of the proceedings in connection with the effectiveness of such Substitute Credit Facility. If directed in writing by the Authority, the Trustee shall also give such notice by publication thereof once in an Authorized Newspaper, such publication to be made contemporaneously with the mailing of such notice, but such publication shall not be a condition precedent to the effectiveness of such Substitute Credit Facility, and failure to so publish any such notice or a defect therein or in the publication thereof shall not affect the validity of the proceedings in connection with the effectiveness of such Substitute Credit Facility.

4. Beginning from and after the date upon which any Substitute Credit Facility shall have become effective, the Trustee shall, by endorsement or otherwise, affix on each Bond of such Series to which such Credit Facility relates which shall be delivered for registration or transfer thereof (or any Bond authenticated in substitution or replacement therefor) a legend containing (i) the name of the Credit Facility Provider issuing such Substitute Credit Facility, (ii) the date upon which such Substitute Credit Facility shall have become effective and (iii) the stated expiration date of such Substitute Credit Facility.

5. In the event a Substitute Credit Facility is delivered to the Trustee, the Trustee shall, on the date on which moneys may be drawn under such Substitute Credit Facility for the payment of the principal, Sinking Fund Installments, and Redemption Price of, and interest on the Bonds of such Series to which such Credit Facility relates, take such action as shall be required to surrender to the issuer thereof for cancellation the Credit Facility that was replaced by such Substitute Credit Facility.

(Section 6.05)

Credit Facility Provider Default

Notwithstanding any other provisions of the Resolution, subsequent to the occurrence of a Credit Facility Provider Default with respect to a Credit Facility Provider which is continuing, the Bondholders or the Trustee may exercise its rights granted under the Resolution without the prior written consent of such Credit Facility Provider.

(Section 6.06)

Subrogation Rights of Credit Facility Provider

In the event that (i) the principal of and interest on the Bonds has become immediately due and payable because an Event of Default has occurred and is continuing under the Resolution, or (ii) the Trustee shall draw against a Credit Facility in connection with the redemption, in whole, of the Bonds secured thereby, and in either such case the applicable Credit Facility Provider shall have provided the Trustee with funds pursuant to such Credit Facility for the payment in full of the principal of and the interest on the Bonds then, and in such event, such Credit Facility Provider shall be subrogated to all rights theretofore possessed under the Resolution and the Loan Agreement by the Trustee and the Holders of the Bonds in respect of which such principal and interest shall have been paid with funds provided by such Credit Facility Provider (to the extent such funds provided by the Credit Facility Provider pursuant to the Credit Facility shall not have been reimbursed to the Credit Facility Provider). After the payment in full of all Bonds owned by the Holders thereof, any reference in the Resolution to the Holders of the Bonds or to the Bondholders shall mean the Credit Facility Provider to the extent of its subrogation rights resulting from payments made pursuant to the Credit Facility.

(Section 6.07)

Consent Rights of Credit Facility Provider

If a Credit Facility Provider is not in default in respect of any of its obligations under its Credit Facility, such Credit Facility Provider, and not the actual Holders of the Bonds, shall be deemed to be the Holder of the Bonds payable from such Credit Facility for the purpose of giving any approval or consent to the effectiveness of any Supplemental Resolution or any amendment, change or modification of the Resolution as specified in the Resolution, or any other provision of the Resolution which requires the written approval or consent of Holders of such Bonds; provided, however, that the provisions of the Resolution described herein shall not apply to any change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment.

(Section 6.08)

Investment of Funds and Accounts Held by the Trustee

1. Moneys held under the Resolution by the Trustee, if permitted by law, shall, as nearly as may be practicable, be invested by the Trustee, upon direction of the Authority given or confirmed in writing (which direction shall specify the amount thereof to be so invested), in Government Obligations, Federal Agency Obligations, Exempt Obligations, and if not inconsistent with the investment guidelines of a Credit Facility Provider or a Rating Service applicable to funds held under the Resolution, any Permitted Investments; provided, however, that, unless otherwise provided in a Series Resolution, moneys derived from drawings under a Credit Facility shall be invested only in Government Obligations described in clause (i) of the definition of Government Obligations which mature within the earlier of (i) thirty (30) days or (ii) when needed and provided, further, that (x) any Permitted Collateral required to secure any Permitted Investment shall have a market value, determined by the Trustee or its agent periodically, but no less frequently than weekly, at least equal to the amount deposited or invested including interest accrued thereon, (y) the Permitted Collateral shall be deposited with and held by the Trustee or an agent of the Trustee approved by an Authorized Officer of the Authority, and (z) the Permitted Collateral shall be free and clear of claims of any other person.

2. Permitted Investments purchased or other investments made as an investment of moneys in any fund or account held by the Trustee under the provisions of the Resolution shall be deemed at all times to

be a part of such fund or account and the income or interest earned, profits realized or losses suffered by a fund or account due to the investment thereof shall be retained in, credited or charged to, as the case may be, such fund or account.

3. In computing the amount in any fund or account held by the Trustee under the provisions of the Resolution, each Permitted Investment shall be valued at par or the market value thereof, plus accrued interest, whichever is lower.

4. Notwithstanding anything to the contrary in the Resolution, the Authority, in its discretion, may direct the Trustee to, and the Trustee shall, sell, present for redemption or exchange any investment held by the Trustee pursuant to the Resolution and the proceeds thereof may be reinvested as provided in the Resolution. Except as otherwise provided in the Resolution, the Trustee shall sell at the best price obtainable, or present for redemption or exchange, any investment held by it pursuant to the Resolution whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the fund or account in which such investment is held. The Trustee shall advise the Authority and the Institution in writing, on or before the fifteenth (15th) day of each calendar month, of the amounts required to be on deposit in each fund and account under the Resolution and of the details of all investments held for the credit of each fund and account in its custody under the provisions of the Resolution as of the end of the preceding month and as to whether such investments comply with the provisions of subparagraphs 1 and 2 summarized above. The details of such investments shall include the par value, if any, the cost and the current market value of such investments as of the end of the preceding month. The Trustee shall also describe all withdrawals, substitutions and other transactions occurring in each such fund and account in the previous month.

5. No part of the proceeds of any Series of Bonds or any other funds of the Authority shall be used directly or indirectly to acquire any securities or investments the acquisition of which would cause any Bond to be an “arbitrage bond” within the meaning of Section 148(a) of the Code.

(Section 7.02)

Payment of Principal and Interest

The Authority shall pay or cause to be paid the principal, Sinking Fund Installments, if any, or Redemption Price of and interest on every Bond of each Series on the date and at the places and in the manner provided in the Bonds according to the true intent and meaning thereof.

(Section 8.01)

Extension of Payment of Bonds

The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement and, in case the maturity of any of such Bonds or the time for payment of any such claims for interest shall be extended, such Bonds, or claims for interest shall not be entitled, in case of any default under the Resolution, to the benefit of the Resolution or of any Series Resolution or to any payment out of any assets of the Authority or the funds (except funds held in trust for the payment of particular Bonds or claims for interest pursuant to the Resolution and to any Series Resolution) held by the Trustee, except subject to the prior payment of the principal of all Outstanding Bonds the maturity of which has not been extended and of such portion of the interest on such Bonds as shall not be represented by such extended claims for interest. Nothing in the Resolution shall be deemed to limit the right of the Authority to issue Refunding Bonds or other bonds or notes to refund Outstanding Bonds as permitted by the Resolution and by the Act and such issuance shall not be deemed to constitute an extension of the maturity of the Bonds refunded.

(Section 8.02)

Powers as to Bonds and Pledge

The Authority is duly authorized under the Act and all applicable laws to create and issue the Bonds, to adopt the Resolution and each Series Resolution and to pledge and assign the proceeds from the sale of the Bonds, the Revenues, the Authority's security interest in the Gross Receipts and all funds and accounts established by the Resolution and by any Series Resolution which are pledged by the Resolution, in the manner and to the extent provided in the Resolution. The Authority further covenants that the proceeds from the sale of the Bonds, the Revenues, the Authority's security interest in the Gross Receipts and all funds and accounts established by the Resolution which are pledged by the Resolution are and shall be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto, prior to, or of equal rank with, the pledge created by the Resolution, and that all corporate action on the part of the Authority to that end has been duly and validly taken. The Authority further covenants that the Bonds and the provisions of the Resolution and of each Series Resolution are and shall be the valid and legally enforceable obligations of the Authority in accordance with their terms and the terms of the Resolution and of each Series Resolution. The Authority further covenants that it shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the proceeds from the sale of the Bonds, the Revenues, the Authority's security interest in Gross Receipts and all funds and accounts established by the Resolution and by any Series Resolution which are pledged by the Resolution and all of the rights of the Holders of Bonds under the Resolution and each Series Resolution against all claims and demands of all persons whomsoever.

(Section 8.03)

Further Assurance

The Authority, at any and all times, shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the rights and the pledges and assignments made by the Resolution or intended so to be, or which the Authority may become bound to pledge or assign.

(Section 8.04)

Accounts and Audits

The Authority shall keep proper books of record and accounts (separate from all other records and accounts), which may be kept on behalf of the Authority by the Trustee, in which complete and correct entries shall be made of its transactions relating to each Series of Bonds, which books and accounts, at reasonable hours and subject to the reasonable rules and regulations of the Authority, shall be subject to the inspection of the Trustee or of any Holder of a Bond of the Series or his representative duly authorized in writing. The Trustee shall annually prepare a report which shall be furnished to the Authority and each Credit Facility Issuer. Such report shall include at least: a statement of all funds (including investments thereof) held by such Trustee and the Authority pursuant to the provisions of the Resolution and of each Series Resolution; a statement of the Revenues collected in connection with the Resolution and with each Series Resolution; and complete and correct entries of all transactions relating to a Series of Bonds. A copy of such report, shall, upon receipt of a written request therefor, and payment of any reasonable fee or charge made in connection therewith, be furnished to the registered owner of a Bond of the Series or any beneficial owner of a Book Entry Bond requesting the same.

(Section 8.05)

Creation of Liens

The Authority shall not create or cause to be created any lien or charge prior or equal to that of the Bonds and the Credit Facility Providers on the proceeds from the sale of the Bonds, the Revenues, the rights of the Authority to receive payments to be made under the Loan Agreement that are to be deposited with the Trustee, the Gross Receipts of the Institution or the funds and accounts established by the Resolution which are pledged by the Resolution; provided, however, that nothing contained in the Resolution shall prevent the Authority from issuing bonds, notes or other obligations under another and separate resolution so long as the charge or lien created by such resolution is not prior or equal to the charge or lien created by the Resolution; provided further, however, that no such charge or lien shall be created without each Credit Facility Provider's prior written consent; and provided further, however, that nothing in the Resolution shall prevent the Institution from incurring Alternative Parity Indebtedness pursuant to and in accordance with the provisions of the Loan Agreement and the Resolution.

(Section 8.06)

Enforcement of Duties and Obligations of the Institution

The Authority shall take all legally available action to cause the Institution to perform fully all duties and acts and comply fully with the covenants of the Institution required by the Loan Agreement and the Mortgage in the manner and at the times provided therein; provided, however, that, subject to the provisions of the Assignment, the Authority may delay, defer or waive enforcement of one or more provisions of the Loan Agreement (other than provisions requiring the payment of moneys or the delivery of securities to the Trustee for deposit to any fund or account established under the Resolution) if the Authority determines such delay, deferment or waiver will not materially adversely affect the interests of the Holders of the Bonds.

(Section 8.07)

Amendment of Loan Agreement

The Loan Agreement may not be amended, changed, modified, altered or terminated so as to materially adversely affect the interest of the Holders of Outstanding Bonds without the prior written consent of (a) all Credit Facility Providers with Credit Facilities then in effect with respect to the Bonds then Outstanding and the Holders of at least a majority in aggregate principal amount of the Bonds then Outstanding, or (b) in case less than all of the several Series of Bonds then Outstanding are affected by the modifications or amendments, all Credit Facility Providers with Credit Facilities then in effect with respect to the Outstanding Bonds of each Series so affected and the Holders of not less than a majority in aggregate principal amount of the Bonds of each Series so affected then Outstanding; provided, however, that if such modification or amendment will, by its terms, not take affect so long as any Bonds of any specified Series remain Outstanding, the consent of the Credit Facility Providers with Credit Facilities then in effect with respect to, or the Holders of, such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds as described in this paragraph; provided, however, that no such amendment, change, modification, alteration or termination will eliminate any requirement of consent from Credit Facility Providers or reduce the percentage of the aggregate principal amount of Outstanding Bonds for consent of the Holders of such Bonds, either of which is a requirement for any such amendment, change, modification, alteration or termination, or will decrease the amount of any payment required to be made by the Institution under the Loan Agreement that is to be deposited with the Trustee or extend the time of payment thereof. The Trustee shall give written notice to each Rating Service then rating the Bonds, of any such amendment, change, modification or termination which materially adversely affects the interests of the Holders of the Outstanding Bonds. Except as otherwise provided above, the Loan Agreement may be amended, changed, modified or altered without the consent of the Holders of Outstanding Bonds, any Credit Facility Provider or the Trustee. Specifically, and without limiting the following, the Loan Agreement may be amended, changed, modified or altered without the consent of the Trustee, any Credit

Facility Provider and the Holders of Outstanding Bonds to cure any ambiguity, or to correct or supplement any provisions contained in the Loan Agreement, which may be defective or inconsistent with any other provisions contained in the Resolution or in the Loan Agreement. Prior to execution by the Authority of any amendment, a copy thereof certified by the Authority shall be filed with each Credit Facility Provider and the Trustee. Notwithstanding the foregoing, the Authority shall not be precluded from entering into separate Loan Agreements with respect to separate Series of Bonds issued pursuant to the Resolution and any Series Resolution.

For the purposes of this Section, a Series of Bonds shall be deemed to be adversely affected by an amendment, change, modification, alteration or termination of the Loan Agreement if the same adversely affects or diminishes the rights of the Holders of such Series of Bonds. The Trustee may in its discretion, and without any liability to the Authority or Bondholders, determine whether or not, in accordance with the foregoing provisions, Bonds would be adversely affected by any amendment, change, modification, alteration or termination, and any such determination shall be binding and conclusive on the Authority and all Holders of all such Bonds.

The Trustee shall be entitled to rely upon an opinion of counsel, including an opinion of Bond Counsel, which counsel shall be satisfactory to the Authority, with respect to whether any amendment, change, modification or alteration adversely affects the interests of any Holders of Bonds then Outstanding in any material respect.

(Section 8.10)

Tax Covenants Relating to the Internal Revenue Code of 1986

The Authority makes and enters into the following covenants as to each Series of Bonds, other than those Series of Bonds are designated “federally taxable” (as to which the following covenants are not applicable):

1. The Authority covenants that, in order to maintain the exclusion from gross income for Federal income tax purposes of the interest on the Bonds, the Authority will satisfy, or take such actions as are necessary to cause to be satisfied, each provision of the Internal Revenue Code of 1986 (the “Code”), or any predecessor or successor thereto, necessary to maintain such exclusion. In furtherance of this covenant, the Authority agrees to continually comply with the provisions of the “Tax Certificate and Agreement” executed by the Authority in connection with the execution and delivery of the Bonds, as amended from time to time.

2. The Authority covenants that no part of the proceeds of the Bonds shall be used, directly or indirectly, to acquire any “investment property,” as defined in section 148 of the Code, which would cause the Bonds to become “arbitrage bonds” within the meaning of section 148 of the Code, as in effect from time to time, or under applicable Treasury regulations promulgated thereunder. In order to assure compliance with the rebate requirement of section 148 of the Code, the Authority further covenants that it will pay or cause to be paid to the Department of the Treasury of the United States of America the amounts necessary to satisfy the requirements of section 148(f) of the Code, and that it will establish such accounting procedures as are necessary to adequately determine, account for and pay over any such amount or amounts required to be paid to the Department of the Treasury of the United States of America in a manner consistent with the requirements of section 148 of the Code.

3. Notwithstanding any other provision of the Resolution to the contrary, so long as necessary in order to maintain the exclusion from gross income of interest on the Bonds for Federal income tax purposes, the covenants summarized above shall survive the payment of the Bonds and the interest thereon, including any payment or defeasance thereof pursuant to the terms of the Resolution.

(Section 8.12)

Property Held in Trust

All moneys and securities conveyed to or held by the Trustee, except for amounts held in the Credit Facility Provider Repayment Fund and the Arbitrage Rebate Fund, at any time pursuant to the terms of the Resolution and of each Series Resolution shall be and are assigned by the Resolution, transferred and set over unto the Trustee in trust for the purposes and under the terms and conditions of the Resolution and of each Series Resolution.

The Trustee shall hold all moneys in the Arbitrage Rebate Fund as the agent of the Authority and shall not disburse amounts therefrom except pursuant to the written instructions of the Authority.

(Section 9.04)

Evidence on Which Fiduciaries May Act

The Trustee and any Paying Agent shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond or other paper or document reasonably believed by it in good faith to be genuine, and to have been signed or presented by the proper party or parties. The Trustee and any Paying Agent may consult with counsel, who may or may not be of counsel to the Authority, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it in good faith and in accordance therewith.

Whenever the Trustee or any Paying Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Resolution and under any Series Resolution, such matter (unless other evidence in respect thereof be specifically prescribed by the Resolution) may be deemed to be conclusively proved and established by a certificate signed by the Authority or, with the permission of the Authority, signed by an Authorized Officer of the Institution. Such certificate shall be full warrant for any action taken or suffered in good faith under the provisions of the Resolution and of the Series Resolution upon the faith thereof, but in its discretion the Trustee or any Paying Agent may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as it may deem reasonable. Except as otherwise expressly provided in the Resolution and in each Series Resolution, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision of the Resolution and of any Series Resolution by the Authority to the Trustee or any Paying Agent shall be sufficiently executed if executed in the name of the Authority by an Authorized Officer.

(Section 9.05)

Resignation of Trustee

The Trustee, or any successor thereto, may at any time resign and be discharged of its duties and obligations under the Resolution or under each Series Resolution by giving not less than sixty (60) days written notice to the Authority and giving notice thereof, specifying the date when such resignation shall take effect, by first class mail postage prepaid to the registered owners of Bonds at their last known address, if any, appearing on the registration books of the Authority, within ten (10) days after the giving of such written notice to the Authority. Such resignation shall take effect upon the date specified in such notice unless previously a successor shall have been appointed as provided in the Resolution, in which event such resignation shall take effect immediately on the appointment of such successor; provided, however, that such resignation shall not take effect until a successor Trustee has been appointed and has accepted such appointment pursuant to the Resolution. The Authority shall give the Institution, each Credit Facility Provider and each Rating Service then rating the Bonds, prompt written notice of the resignation of the Trustee.

(Section 9.08)

Removal of Trustee

The Trustee, or any successor thereof, may be removed at any time by the Holders of a majority in principal amount of the Outstanding Bonds, excluding any Bonds held by or for the account of the Authority, by an instrument or concurrent instruments in writing signed and acknowledged by such Bondholders or by their attorneys-in-fact duly authorized and delivered to the Authority; provided that no such removal shall take effect until a successor Trustee has been appointed. Copies of each such instrument providing for any such removal shall be delivered by the Authority to such Trustee and any successor thereof. The Trustee, or any successor thereto, may also be removed at any time for cause or any breach of trust or for acting or proceeding in violation of, or failing to act or proceed in accordance with, any provisions of the Resolution or of any Series Resolution with respect to the duties and obligations of the Trustee by any court of competent jurisdiction upon application by the Authority, the Credit Facility Providers or the Holders of not less than twenty per centum (20%) in aggregate principal amount of Bonds then Outstanding; provided that no such removal shall take effect until a successor Trustee has been appointed and such successor has accepted. A copy of each instrument or order providing for the removal of the Trustee, or any successor thereto, shall be delivered by the Authority to the Trustee or such successor thereto. The Authority shall give prompt written notice of the removal of the Trustee to the Institution, each Credit Facility Provider and each Rating Service. Notwithstanding anything in the Resolution to the contrary and provided there is no default under the Resolution, the Trustee, or any successor thereto, may also be removed at any time, with or without cause by the Authority; provided that no such removal shall take effect until a successor Trustee has been appointed and such successor has accepted.

(Section 9.09)

Successor Trustee

In case the Trustee, or any successor thereto, shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee or of its property shall be appointed, or if any public officer shall take charge or control of the Trustee or of its property or affairs, the Authority shall forthwith appoint a Trustee to act as Trustee and Paying Agent, subject to the approval of the Credit Facility Providers with Credit Facilities then in effect with respect to any Bonds, which approval shall not be unreasonably withheld or delayed. In the event the Authority has had no response from the Trustee within five (5) Business Days after delivery of notice of such a request to the Credit Facility Provider, the Credit Facility Provider shall be deemed to have so approved. Copies of any resolution of the Authority providing for any such appointment shall be delivered by the Authority to the Trustee so appointed, the predecessor Trustee, each Credit Facility Provider and the Institution; provided, however, that the failure to receive copies of any such resolution shall not affect the validity of such appointment. The Authority shall publish notice of any such appointment at least once in an Authorized Newspaper, the first publication to be made within twenty (20) days after such appointment.

If no appointment of a successor shall be made within forty-five (45) days after the giving of written notice in accordance with the Resolution or after the occurrence of any other event requiring or authorizing such appointment, the Trustee or any Bondholder may apply to any court of competent jurisdiction for the appointment of such a successor, and such court may thereupon, after such notice, if any, as such court may deem proper, appoint such successor. Any successor appointed under the provisions of the Resolution shall be a bank located in the State, in either case, having trust powers or a trust company organized under the laws of the State or national banking association located in the State having a capital and surplus aggregating at least \$125,000,000, if there be such a bank having trust powers or trust company or national banking association willing and able to accept the appointment on reasonable and customary terms and authorized by law to perform all the duties required by the Resolution and by each Series Resolution.

(Section 9.10)

Merger or Consolidation of the Trustee

Any company, corporation or association into which the Trustee may be merged or with which it may be consolidated or any company, corporation or association resulting from any merger or consolidation to which it shall be a party or any company, corporation or association to which such Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company, corporation or association shall be a bank having trust powers or trust company or national banking association qualified to be a successor to such Trustee under the provisions of the Resolution, shall be the successor to such Trustee, without any further act, deed or conveyance.

(Section 9.12)

Resignation or Removal of the Paying Agents and Appointment of Successors

Any Paying Agent (other than the Trustee) may at any time resign and be discharged of the duties and obligations created by the Resolution and by the applicable Series Resolution by giving at least sixty (60) days written notice to the Authority and Trustee. Any Paying Agent may be removed at any time by an instrument filed with such Paying Agent and the Trustee and signed on behalf of the Authority. Any successor Paying Agent shall be appointed by the Authority and (subject to certain requirements of the Resolution) shall be a bank having trust powers or trust company organized under the laws of any state of the United States of America or a national banking association having trust powers, in either case, having a capital and surplus aggregating at least \$125,000,000, and willing and able to accept the office of Paying Agent on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Resolution and by the applicable Series Resolution.

In the event of the resignation or removal of any Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys held by it to its successor, or if there be no successor then appointed, to the Trustee until such successor be appointed. The Authority shall give written notice of the resignation or removal of any Paying Agent of any Series of Bonds to the Institution and the applicable Credit Facility Provider. Notwithstanding the foregoing, no resignation or removal of the Paying Agent shall take effect until a successor has been appointed and such successor has accepted.

(Section 9.13)

Modification and Amendment Without Consent of Bondholders

Notwithstanding any other provisions of the Resolution relating to Supplemental Resolutions, and subject to the prior written consent of the Credit Facility Providers, the Authority may adopt at any time or from time to time Series Resolutions or Supplemental Resolutions for any one or more of the following purposes, and any such Series Resolution or Supplemental Resolution shall become effective in accordance with its terms upon the filing with the Trustee of a copy thereof certified by the Authority:

(a) To provide for the issuance of a Series of Bonds pursuant to the provisions of the Resolution and to prescribe the terms and conditions pursuant to which such Bonds may be issued, paid or redeemed;

(b) To add additional covenants and agreements of the Authority for the purpose of further securing the payment of the Bonds, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Resolution;

(c) To provide for additional security for the payment of the Bonds, including, but not limited to, provisions to allow a Credit Facility Provider to confirm its obligations under an existing Credit Facility;

(d) To prescribe further limitations and restrictions upon the issuance of Bonds and the incurring of indebtedness by the Authority which are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect;

(e) To surrender any right, power or privilege reserved to or conferred upon the Authority by the terms of the Resolution, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Resolution;

(f) To confirm, as further assurance, any pledge under the Resolution, and the subjection to any lien, claim or pledge created or to be created by the provisions of the Resolution, of the Revenues, or any pledge of any other moneys, funds or securities;

(g) To modify any of the provisions of the Resolution or of any previously adopted Series Resolution or Supplemental Resolution in any other respects, provided that such modifications shall not be effective until after all Bonds of any Series of Bonds Outstanding as of the date of adoption of such Supplemental Resolution or Series Resolution shall cease to be Outstanding, and all Bonds issued under such resolutions shall contain a specific reference to the modifications contained in such subsequent Resolutions; or

(h) With the consent of the Trustee, to cure any ambiguity or defect or inconsistent provision in the Resolution or to insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable, provided that any such modifications are not contrary to or inconsistent with the Resolution as theretofore in effect, or to modify any of the provisions of the Resolution or of any previously adopted Series Resolution or Supplemental Resolution in any other respect, provided that such modification shall not adversely affect the interests of the Bondholders or any Credit Facility Provider in any material respect.

The Authority shall give each Credit Facility Provider written notice of each such Supplemental Resolution adopted pursuant to the provisions of the Resolution summarized above amending this Resolution.

(Section 10.01)

Supplemental Resolutions Effective With Consent of Bondholders and Credit Facility Provider

The provisions of the Resolution may also be modified or amended at any time or from time to time by a Supplemental Resolution, subject to the consent of the Bondholders in accordance with and subject to the provisions of the Resolution, and subject to the consent of each Credit Facility Provider, such Supplemental Resolution to become effective upon the filing with the Trustee of a copy thereof certified by the Authority. The Authority shall transmit a copy of such Supplemental Resolution to the Institution upon its becoming effective.

(Section 10.02)

Powers of Amendment

Any modification or amendment of the Resolution and of the rights and obligations of the Authority, the Credit Facility Providers and of the Holders of the Bonds under the Resolution, in any particular, may be made by a Supplemental Resolution, with the written consent of each Credit Facility Provider and the written consent given as hereinafter provided in the Resolution, (i) of the Holders of at least two-thirds (2/3) in principal amount of the Bonds Outstanding at the time such consent is given, or (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, the Holders of at least two-thirds (2/3) in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given, or (iii) in case the modification or amendment changes the amount or date of any

Sinking Fund Installment, of the Holders of at least two-thirds (2/3) in principal amount of the Bonds of the particular Series, maturity and interest rate entitled to such Sinking Fund Installment, Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series, maturity and tenor remain Outstanding, the consents of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under the provisions of the Resolution summarized herein. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment. A Series shall be deemed to be affected by a modification or amendment of the Resolution if the same adversely affects or diminishes the rights of the Holders of Bonds of such Series in any material respect. The Trustee may in its discretion, and without any liability to the Authority or Bondholders, determine whether or not, in accordance with the foregoing provisions, the Bonds of any particular Series or maturity would be affected by any modification or amendment of the Resolution and any such determination shall be binding and conclusive on the Authority and all Holders of Bonds. The Trustee may receive an opinion of counsel, including an opinion of Bond Counsel, as conclusive evidence as to whether the Bonds of any particular Series or maturity would be so affected by any such modification or amendment of the Resolution. The Authority shall transmit a copy of such Supplemental Resolution to the Institution upon its becoming effective.

(Section 11.01)

Consent of Bondholders

The Authority may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions summarized in the preceding paragraph to take effect when and as provided as summarized below. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto in form approved by the Trustee) together with a request to the Bondholders for their consent thereto in form satisfactory to the Trustee, shall promptly after adoption be mailed by the Trustee at the direction of the Authority to the Bondholders and each Rating Service then rating the Bonds (but failure to mail such copies and request to any particular Bondholder shall not affect the validity of the Supplemental Resolution when consented to as provided in the Resolution). Such Supplemental Resolution shall not be effective unless and until there shall have been filed with the Trustee (a) the written consent of each Credit Facility Provider, (b) the written consent of the Holders of the percentages of Outstanding Bonds specified in the Resolution, (c) evidence of notice of such Supplemental Resolution having been mailed to the rating agencies then assigning ratings to the applicable Series of Bonds, to the extent that such Supplemental Resolution requires consent of any Holders of Bonds, and (d) an opinion of Bond Counsel stating that such Supplemental Resolution has been duly and lawfully adopted and filed by the Authority in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon the Authority and enforceable in accordance with its terms. Each such consent of a Bondholder shall be effective only if accompanied by proof of the holding or owning at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by the Resolution. A certificate or certificates by the Trustee that it has received such proof and that such proof is sufficient in accordance with the Resolution shall be conclusive proof that the consents has been given by the Credit Facility Providers and the Holders of the Bonds described in the certificate or certificates of the Trustee. Any consent given by a Credit Facility Provider or Bondholder shall be binding upon such Credit Facility Provider or Bondholder giving such consent and, anything in the Resolution to the contrary notwithstanding, upon any subsequent Credit Facility Provider or Bondholder and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by such Credit Facility Provider or the Bondholder giving such consent or a subsequent Credit Facility Provider or Holder thereof by filing such revocation with the Trustee, prior to the time when the written statement of the Trustee

hereinafter provided for is filed. The fact that a consent has not been revoked may likewise be proved by a certificate of the Trustee filed with the Trustee to the effect that no revocation thereof is on file with the Trustee. At any time after the Credit Facility Providers or the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution, the Trustee shall make and file with the Authority and the Trustee a written statement that the applicable Credit Facility Providers and the Holders of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive evidence that such consents have been so filed. At any time thereafter notice, stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by the Authority on a stated date, a copy of which is on file with the Trustee) has been consented to by the Credit Facility Providers and the Holders of the required percentages of Bonds and will be effective as provided in the Resolution, shall be given to the Credit Facility Providers and the Bondholders by the Trustee at the direction of the Authority by mailing or causing the mailing of such notice to the Credit Facility Providers and the Bondholders (but failure to mail such notice shall not prevent such Supplemental Resolution from becoming effective and binding as provided in the Resolution) and, in the sole discretion of the Authority, by publishing the same at least once not more than ninety (90) days after the Credit Facility Provider and the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution and the written statement of the Trustee hereinabove provided for is filed (but failure to publish such notice shall not prevent such Supplemental Resolution from becoming effective and binding as provided in the Resolution). If such notice is published, the Authority shall file with the Trustee proof of the publication thereof, and, if the same shall have been mailed to the Holders of such Bonds, of the mailing thereof. A transcript, consisting of the papers required or permitted by the Resolution to be filed with the Trustee, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon the Authority, the Trustee, any Paying Agent, each Credit Facility Provider and the Holders of all Bonds upon the filing with the Trustee of proof of the mailing of such notice or at the expiration of thirty (30) days after the filing with the Trustee of the proof of the first publication of such last mentioned notice, if such notice is published, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced within such thirty (30) day period; provided, however, that the Authority, the Trustee and any Paying Agent during such thirty (30) day period and any such further period during which any such action or proceeding may be pending shall be entitled in their reasonable discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as they may deem expedient. The Trustee, in determining whether any amendments or supplements to this Resolution may be made without the consent of the Holders of the Bonds, or, in determining whether any other discretionary action should be taken, shall consider the effect of such action on the rights of such Holders as if a Credit Facility with respect to the Bonds was not in effect.

For the purposes of the provisions of the Resolution relating to amendments to the Resolution, the purchasers of the Bond of a Series, whether purchasing as underwriters, for resale or otherwise, upon such purchase from the Authority, may consent to a modification or amendment permitted by the Resolution in the manner provided in the Resolution, except that no proof of ownership shall be required, and with the same effect as a consent given by the Holder of such Bonds; provided, however, that, if such consent is given by a purchaser who is purchasing as an underwriter or for resale, the nature of the modification or amendment and the provisions for the purchaser consenting thereto shall be described in the official statement, prospectus, offering memorandum or other offering document prepared in connection with the primary offering of the Bonds of such Series.

(Section 11.02)

Modifications by Unanimous Consent

The terms and provisions of the Resolution and the rights and obligations of the Authority, each Credit Facility Provider and of the Holders of the Bonds may be modified or amended in any respect upon the adoption and filing with the Trustee by the Authority of a copy of a Supplemental Resolution certified by the

Authority and the consent of each Credit Facility Provider and the Holders of all of the Bonds then Outstanding, such consent to be given as provided in the Resolution, except that no notice to the Bondholders either by mailing or publication shall be required.

(Section 11.03)

Events of Default

An event of default shall exist under the Resolution and under any Series Resolution with respect to such Series of Bonds issued thereunder (herein called an “event of default”) if:

(a) Payment of the principal, Sinking Fund Installments or Redemption Price of any Bond of such Series shall not be made by the Authority when the same shall become due and payable, either at maturity or by proceedings for redemption or otherwise; or

(b) Payment of an installment of interest on any Bond of such Series shall not be made by the Authority when the same shall become due and payable; or

(c) The Authority shall default in the due and punctual performance of the tax covenants contained in the Resolution and, as a result thereof, the interest on the Bonds of such Series shall no longer be excludable from gross income under Section 103 of the Code; or

(d) The Authority shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions for the benefit of the holders of such Bonds contained in the Resolution or in such Series Resolution or in the Bonds of such Series on the part of the Authority to be performed and such default shall continue for thirty (30) days after written notice specifying such default and requiring the same to be remedied shall have been given to the Authority by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of such Series or the Credit Facility Provider with respect to such Series; or

(e) An “Event of Default”, as defined in the Loan Agreement, shall have occurred and be continuing and all sums payable by the Institution under such Loan Agreement shall have been declared to be immediately due and payable, which declaration shall not have been annulled.

(Section 12.02)

Acceleration of Maturity

Upon the happening and continuance of any event of default specified in the Resolution, other than an event of default specified in paragraph (c) under the heading “Events of Default”, then and in every such case the Trustee, with the prior written consent of the Credit Facility Providers, may, and, upon the written request of (i) the Credit Facility Providers or (ii) the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds with the prior written consent of the Credit Facility Providers, shall declare the principal of and interest on all of the Outstanding Bonds to be due and payable immediately. Interest shall cease to accrue upon such payment, which payment shall occur not more than seven (7) days following such declaration, and the Trustee shall draw upon the Letter of Credit in order to make such payment in accordance with the Resolution. At any time after the principal of the Bonds shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Resolution, the Trustee may, with the written consent of the Holders of not less than twenty-five per centum (25%) in principal amount of such Bonds not then due by their terms and then Outstanding, by written notice

to the Authority, annul such declaration and its consequences if: (i) Available Moneys shall have accumulated in the Debt Service Fund sufficient to pay all arrears of interest, if any, upon all of the Outstanding Bonds (except the interest accrued on such Bonds since the last Interest Payment Date) and any unpaid principal payments; (ii) moneys shall have accumulated and be available sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee and any Paying Agent incurred in connection with such Bonds; (iii) all other amounts then payable by the Authority under the Resolution or under each Series Resolution shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee; (iv) every other default known to the Trustee in the observance or performance of such covenant, condition or agreement contained in the Resolution or in any Series Resolution or in such Bonds (other than a default in the payment of the principal of such Bonds then due only because of a declaration under the Resolution summarized herein) shall have been remedied to the satisfaction of the Trustee and (v) any Credit Facility Provider which shall have deposited with the Trustee an amount drawn under the Credit Facility sufficient to pay the principal of and interest on the Outstanding Bonds shall have given its written consent to such annulment. No such annulment shall extend to or affect any subsequent default or impair any right consequent thereon. Any such annulment shall only be effective if Credit Facilities will be in effect after the annulment in an amount at least equal to a principal amount of and maximum amount of interest to accrue between Interest Payment Dates on Bonds to be Outstanding.

(Section 12.03)

Enforcement of Remedies

Upon the happening and continuance of any event of default specified in the Resolution, then and in every such case, the Trustee may proceed, with the prior written consent of each Credit Facility Provider, and in the case of a happening and continuance of an event of default specified in paragraph (c) under the heading “Events of Default”, upon the written request of the Holders of not less than a majority in principal amount of the Outstanding Bonds of the Series affected thereby, shall proceed (subject to certain provisions of the Resolution), to protect and enforce its rights and the rights of the Bondholders under the Resolution or under any Series Resolution or under the laws of the State by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant contained under the Resolution or under any Series Resolution or in aid or execution of any power in the Resolution or therein granted, or for an accounting against the Authority as if the Authority were the trustee of an express trust, or for the enforcement of any proper legal or equitable remedy as the Trustee shall deem most effectual to protect and enforce such rights, including the foreclosure of any defaulted Mortgages assigned to the Trustee.

In the enforcement of any remedy under the Resolution and under each Series Resolution, the Trustee shall be entitled to sue for, enforce payment of, and receive any and all amounts then, or during any default becoming, and at any time remaining due from the Authority for principal or interest or otherwise under any of the provisions of the Resolution or of any Series Resolution or of the Bonds, with interest on overdue payments of the principal of or interest on the Bonds at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings under the Resolution and under any Series Resolution and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Holders of such Bonds, and to recover and enforce judgment or decree against the Authority but solely as provided in the Resolution in any Series Resolution and in such Bonds, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect in any manner provided by law, the moneys adjudged or decreed to be payable.

(Section 12.04)

Priority of Payments After Default

If at any time the moneys held by the Trustee under the Resolution and under each Series Resolution shall not be sufficient to pay the principal of and interest on the Bonds as the same become due and payable (either by their terms or by acceleration of maturity under the provisions of the Resolution), such moneys together with any moneys then available or thereafter becoming available for such purpose, whether through exercise of the remedies provided for in the Resolution or otherwise, shall be applied (after payment of all amounts owing to the Trustee under the Resolution except that amounts drawn under any Credit Facility shall not be used to pay amounts owing to the Trustee under the Resolution) as follows:

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

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of such maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal, Sinking Fund Installments or Redemption Price of any Bonds which shall have become due whether at maturity or by call for redemption in the order of their due dates and, if the amount available shall not be sufficient to pay in full all Bonds due on any date, then to the payment thereof ratably, according to the amount of principal, Sinking Fund Installments or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

(b) If the principal of all of the Bonds shall have become or been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon 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 any discrimination or preference except as to the difference in the respective rates of interest specified in the Bonds.

Whenever moneys are to be applied by the Trustee pursuant to the provisions of the Resolution described above, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. The setting aside of such moneys in trust for application in accordance with the provisions of the Resolution shall constitute proper application by the Trustee, and the Trustee shall incur no liability whatsoever to the Authority, to any Holder of Bonds or to any other person for any delay in applying any such moneys so long as the Trustee acts with reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with such provisions of the Resolution as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such moneys, it shall fix the date upon which such application is to be made, and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the fixing of any such date. Any payment to be made by the Trustee as summarized above on account of the principal or Sinking Fund Installment of or an installment of interest on any Bonds theretofore paid with proceeds of a draw on a Credit Facility shall be made to the applicable Credit Facility Provider.

(Section 12.05)

Termination of Proceedings

In case any proceedings commenced by the Trustee on account of any default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee, then and in every such case the Authority, the Trustee, the Institution, each Credit Facility Provider, and the Bondholders shall be restored to their former positions and rights under the Resolution, respectively, and all rights, remedies, powers and duties of the Trustee shall continue as though no such proceeding had been commenced.

(Section 12.06)

Bondholders' Direction of Proceedings

Anything in the Resolution to the contrary notwithstanding, each Credit Facility Provider or the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds, with the consent of such Credit Facility Provider, or, in the case of an event of default specified in paragraph (c) of under "Events of Default", the Holders of a majority in principal amount of the Outstanding Bonds of the Series affected thereby, with the consent of each Credit Facility Provider, shall have the right by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under the Resolution and under each Series Resolution, provided, such direction shall not be otherwise than in accordance with law and the provisions of the Resolution and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction.

(Section 12.07)

Limitation of Rights of Individual Bondholders

The Holder of any of the Bonds shall not have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Resolution, or for any other remedy under the Resolution unless such Holder previously shall have given to the Trustee written notice of the event of default on account of which such suit, action or proceeding is to be instituted, and unless also the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of the Series affected by the Resolution, or, in the case of an event of default specified in paragraph (c) under "Events of Default", the Holders of not less than a majority in principal amount of the Outstanding Bonds, with the written consent of each Credit Facility Provider shall have made written request to the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted by the Resolution or to institute such action, suit or proceeding in its or their name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses, and liabilities to be incurred therein or by the Resolution, and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the Resolution or for any other remedy under the Resolution and in equity or at law. It is understood and intended that no one or more Holders of the Bonds secured by the Resolution shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Resolution or to enforce any right under the Resolution except in the manner provided, and that all proceedings at law or in equity shall be instituted and maintained for the benefit of all Holders of the Outstanding Bonds. Notwithstanding any other provisions of the Resolution, the Holder of any Bond shall have the right which is absolute and unconditional to receive payment of the principal of (or Redemption Price, if any) and interest on such Bond on the stated maturity expressed in such Bond (or, in the case of redemption, on the redemption date) and to institute suit for the enforcement of any such payment, and such right shall not be impaired without the consent of such Holder.

(Section 12.08)

Remedies not Exclusive

No remedy conferred upon or reserved to the Trustee, the Credit Facility Provider or to the Bondholders in the Resolution is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Resolution or now or hereafter existing at law or in equity or by statute.

(Section 12.10)

Waiver and Non-Waiver of Default

No delay or omission of the Trustee, the Credit Facility Providers or any Bondholder to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein. Every power and remedy given by the Resolution to the Trustee, any Credit Facility Provider and the Bondholders, respectively, may be exercised from time to time and as often as may be deemed expedient.

The Trustee may, upon written consent of each Credit Facility Provider, and shall, upon written consent of the Credit Facility Providers and written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of the Series affected thereby, or, in the case of a default specified in paragraph (c) under “Events of Default”, the Holders of a majority in principal amount of the Outstanding Bonds of such Series, waive any default before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions of the Resolution or before the completion of the enforcement of any other remedy under the Resolution so long as the applicable Credit Facility remains in full force and effect; but no such waiver shall extend to or affect any other existing or any subsequent default or defaults or impair any rights or remedies consequent thereon; provided, however, in the event there has been a draw under the applicable Credit Facility, prior to any such waiver of a default the Trustee must obtain confirmation from the applicable Credit Facility Provider that the Credit Facility has been reinstated.

(Section 12.11)

Defeasance

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

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

and with the effect expressed in subparagraph 1 described above. All Outstanding Bonds of any Series or any maturity within a Series or a portion of a maturity within a Series shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in subparagraph 1 described above (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee, in form satisfactory to it, irrevocable instructions to give as provided in the Resolution notice of redemption on said date of such Bonds, (b) there shall have been deposited with the Trustee either Available Moneys in an amount which shall be sufficient, or Defeasance Securities acquired with Available Moneys the principal of and interest on which when due shall provide monies which, together with the Available Moneys, if any, deposited with the Trustee at the same time shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (c) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority shall have given the Trustee, in form satisfactory to it, irrevocable instructions to give, by first class mail, postage prepaid, to the registered owners of the Bonds to be redeemed, at their last known addresses appearing on the registration books and, if directed by the Authority, by publication, as soon as practicable, at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper, a notice to the Holders of such Bonds that the deposit required by (b) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the Resolution and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on said Bonds. Any notice to the registered owners of the Bonds mailed or published as provided above shall be conclusively presumed to have been duly given, whether or not the registered owner actually receives said notice. The Authority shall give written notice to the Trustee of its selection of the maturity payment of which shall be made in accordance with the Resolution. The Trustee shall select the Bonds of like maturity payment of which shall be made in accordance with the Resolution in the manner provided in the Resolution. Neither Defeasance Securities nor Available Moneys deposited with the Trustee nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for and pledged to, the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on said Bonds; provided that any moneys received from such principal or interest payments on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Defeasance Securities maturing at times and in amounts sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest to become due on said Bonds on and prior to such redemption date or maturity date of the Resolution, as the case may be. Any income or interest earned by, or increment to, the investment of any such monies so deposited, shall, to the extent certified by the Trustee to be in excess of the amounts required hereinabove to pay the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds, as realized, be paid by the Trustee as follows: first, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of the Authority; second, to the Authority the amount certified by the Authority to be then due or past due pursuant to the Loan Agreement for fees and expenses of the Authority or pursuant to any indemnity; and, then, the balance thereof to the Institution, and any such moneys so paid by the Trustee shall be released of any trust, pledge, lien, encumbrance or security interest created by the Resolution or by the Loan Agreement. The Trustee shall give written notice of such defeasance to each Rating Service then rating the Bonds.

3. Anything in the Resolution to the contrary notwithstanding, any moneys held by the Trustee or a Paying Agent in trust for the payment and discharge of any of the Bonds which remain unclaimed for three (3) years after the date when all of the Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption if such moneys were held by the Trustee or Paying Agent at such date, shall, at the written request of the Authority, be repaid by the Trustee or Paying Agent to the Authority as its absolute property and free from trust, and the Trustee or Paying Agent shall thereupon be released and discharged with respect thereto and the Holders of Bonds shall look only to the Authority for the payment of such Bonds; provided, however, that, before being required to make any such payment to the Authority, the

Trustee or Paying Agent may, at the expense of the Authority, cause to be published in an Authorized Newspaper a notice that such moneys remain unclaimed and that, after a date named in such notice, which date shall be not less than forty (40) nor more than ninety (90) days after the date of publication of such notice, the balance of such moneys then unclaimed shall be returned to the Authority.

(Section 13.01)

Moneys and Funds Held for Particular Bonds

The amounts held by the Trustee or any Paying Agent for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of and interest on the Bonds due on any date with respect to particular Bonds shall, pending such payment, be set aside and held in trust by it for the Holders of such Bonds entitled thereto, and for the purposes of the Resolution such principal, Sinking Fund Installments, if any, or Redemption Price of and interest on such Bonds, due after such date thereof, shall no longer be considered to be unpaid.

(Section 15.02)

No Recourse under Resolution or on the Bonds

All covenants, stipulations, promises, agreements and obligations of the Authority contained in the Resolution shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Authority and not of any member, officer or employee of the Authority in his individual capacity, and no recourse shall be had for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of or interest on the Bonds or for any claims based thereon, on the Resolution or on any Series Resolution against any member, officer or employee of the Authority or any person executing the Bonds, all such liability, if any, being expressly waived and released by every Holder of Bonds by the acceptance of the Bonds.

(Section 15.04)

Severability of Invalid Provision

If any one or more of the covenants, stipulations, promises, agreements and obligations provided in the Resolution or in any Series Resolution on the part of the Authority or the Trustee to be performed should be contrary to law, then such covenant or covenants, stipulation or stipulations, promise or promises, agreement or agreements or obligation or obligations shall be null and void, shall be deemed and construed to be severable from the remaining covenants, stipulations, promises, agreements and obligations contained in the Resolution and shall in no way affect the validity of the other provisions of the Resolution or of any Series Resolution or of the Bonds.

(Section 15.05)

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FORM OF APPROVING OPINION OF BOND COUNSEL

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FORM OF APPROVING OPINION OF BOND COUNSEL

Upon issuance of the Series 2009 Bonds, Winston & Strawn LLP, Bond Counsel to the Authority, proposes to issue its approving opinion in substantially the following form:

[Date of Closing]

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

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of \$36,510,000 aggregate principal amount of The Bronx-Lebanon Hospital Center Revenue Bonds, Series 2009 (the “Series 2009 Bonds”) by the Dormitory Authority of the State of New York (the “Authority”), a body corporate and politic constituting a public benefit corporation of the State of New York (the “State”), created and existing under and pursuant to the Constitution and statutes of the State, including the Dormitory Authority Act, being Titles 4 and 4-B of Article 8 of the Public Authorities Law of the State of New York, as amended to the date hereof, including, without limitation, by the Health Care Financing Consolidation Act, being Title 4-B of the Public Authorities Law of the State of New York (as so amended, the “Act”). We have also examined such certificates, documents, records and matters of law as we have deemed necessary for the purpose of rendering the opinions hereinafter set forth.

The Series 2009 Bonds are issued under and pursuant to the Act, the Authority’s The Bronx-Lebanon Hospital Center Revenue Bond Resolution, adopted on July 23, 2008 (the “Resolution”) and the Authority’s The Bronx-Lebanon Hospital Center Series Resolution Authorizing Up To \$38,500,000 The Bronx-Lebanon Hospital Center Revenue Bonds, Series 2009 (the “Series Resolution”), adopted on July 23, 2008. The Resolution and the Series Resolution are herein collectively referred to as the “Resolutions.” Unless otherwise defined herein, capitalized terms used herein have the respective meanings assigned to them in the Resolutions.

The Series 2009 Bonds are dated, mature, are payable, bear interest and are subject to redemption as provided in the Resolutions and the Bond Series Certificate (as defined in the Series Resolution).

The Authority and The Bronx-Lebanon Hospital Center (the “Institution”) have entered into a Loan Agreement, dated as of July 23, 2008 (the “Loan Agreement”), pursuant to which (a) the Authority has agreed to make a loan to the Institution and (b) the Institution is required to make payments thereunder, as well as the Authority’s annual administrative expenditures and costs. All amounts payable under the Loan Agreement which are required to be paid to the Trustee under the Resolutions for payment of the principal or Redemption Price of or interest on the Series 2009 Bonds have been pledged by the Authority for the benefit of the Holders of the Series 2009 Bonds.

The Series 2009 Bonds are subject to various requirements imposed by the Internal Revenue Code of 1986, as amended (the “Code”) which must be met at and subsequent to the issuance and delivery of the Series 2009 Bonds in order that interest on the Series 2009 Bonds will be and remain not includable in gross income

of the Bondholders under Section 103 of the Code. Included among these continuing requirements are certain restrictions and prohibitions on the use of bond proceeds and the facilities financed by such proceeds, restrictions on the investment of proceeds and other amounts, the rebate to the United States of certain earnings in respect of investments and the required ownership of the bond-financed facilities by a Section 501(c)(3) organization or governmental unit. Failure to comply with the continuing requirements may cause interest on the Series 2009 Bonds to be includable in gross income for federal income tax purposes retroactive to the date of their issuance irrespective of the date on which such noncompliance occurs. In the Series Resolution, the Loan Agreement and in other accompanying documents and certificates, the Authority and the Institution 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 opinions set forth herein as to federal and state income tax matters assume continuing compliance by the Authority and the Institution (and their successors) with such covenants and the accuracy, in all material respects, of such representations and certifications (as to which we have made no independent investigation).

Certain requirements and procedures contained or referred to in the Resolutions, the Loan Agreement and other relevant documents may be changed and certain actions may be taken or omitted, under the circumstances and subject to the terms and conditions set forth in such documents. Winston & Strawn LLP expresses no opinion as to any Series 2009 Bond or the interest thereon if any such change occurs or action is taken upon the advice or approval of bond counsel other than Winston & Strawn LLP.

Based upon the foregoing and subject to the qualifications set forth herein, we are of the opinion that:

1. The Authority is a body corporate and politic constituting a public benefit corporation of the State of New York with the right and lawful authority and power to adopt the Resolutions and to issue the Series 2009 Bonds thereunder.

2. The Series Resolution has been duly adopted in accordance with the provisions of the Resolution and is authorized and permitted by the Resolution. The Resolutions have been duly and lawfully adopted by the Authority, are in full force and effect and are legal, valid and binding obligations of the Authority enforceable against the Authority in accordance with their respective terms.

3. The Series 2009 Bonds have been duly and validly authorized and issued in accordance with the Constitution and statutes of the State of New York, including the Act, and in accordance with the Resolution and the Series Resolution. The Series 2009 Bonds are legal, valid and binding special obligations of the Authority payable as provided in the Resolution and the Series Resolution, are enforceable against the Authority in accordance with their terms and the terms of the Resolution and the Series Resolution and are entitled to the benefits of the Resolution, the Series Resolution and the Act.

4. The Loan Agreement has been duly authorized, executed and delivered by the Authority and assuming due authorization, execution and delivery thereof by the Institution, constitutes a legal, valid and binding obligation of the Authority enforceable against the Authority in accordance with its terms.

5. Based on the above stated assumptions, under existing statutes, regulations, rulings and court decisions, interest on the Series 2009 Bonds is not includable in gross income for federal income tax purposes. Interest on the Series 2009 Bonds is not an "item of tax preference" for purposes of computing the federal alternative minimum tax on individuals and corporations. However, interest on the Series 2009 Bonds owned by corporations (other than S Corporations, Regulated Investment Companies, Real Estate Investment Trusts, Real Estate Mortgage Investment Conduits and Financial Asset Securitization Investment Trusts) will be included in the calculation of corporate "adjusted current earnings," a portion of which is an adjustment to corporate alternative minimum taxable income for purposes of calculating the alternative minimum tax imposed on corporations (but not individuals).

6. Certain maturities of the Series 2009 Bonds are initially offered to the public at prices less than the principal amount thereof payable to maturity. If the first price at which a substantial amount of the Series 2009 Bonds of the same maturity is sold in the initial offering to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) is less than the principal amount thereof payable at maturity, the difference between such price and principal amount constitutes original issue discount with respect to each Series 2009 Bond of the same maturity (the "Discount Bonds"). We are of the opinion that original issue discount, as it accrues, is not includable in gross income for federal income tax purposes to the same extent as interest on the Series 2009 Bonds. The owner of a Discount Bond who purchases it in the initial offering at the initial offering price is deemed to accrue in each taxable year original issue discount over the term of such bond under the "constant yield method" described in regulations interpreting Section 1272 of the Code with certain adjustments.

7. The interest on the Series 2009 Bonds is exempt under existing statutes from personal income taxes imposed by the State of New York and its political subdivisions thereof (including The City of New York).

Other than the foregoing, we express no opinion regarding other federal or state tax consequences related to the ownership of disposition of, or the accrual or receipt of interest on the Series 2009 Bonds.

We have examined a specimen of the executed Series 2009 Bond and, in our opinion, the form of said bonds are regular and proper.

The opinions contained in paragraphs 2, 3 and 4 above are qualified to the extent that the enforceability of the Resolutions, the Series 2009 Bonds and the Loan Agreement may be limited by bankruptcy, insolvency, moratorium, reorganization or other laws affecting creditors' rights generally or as to the availability of any particular remedy. Except as stated in paragraphs 5 and 6 above, we express no opinion as to any federal or state tax consequences of the ownership or disposition of the Series 2009 Bonds.

In connection with the delivery of this opinion letter, we are not passing upon the authorization, execution and delivery of the Loan Agreement by the Institution.

Our opinions set forth herein are based upon the facts in existence and the laws in effect on the date hereof and we disclaim any obligation to update our opinions herein, regardless of whether changes in such facts or laws come to our attention after the delivery hereof.

Very truly yours,

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