



\$3,895,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
INTERAGENCY COUNCIL POOLED LOAN PROGRAM REVENUE BONDS,
SERIES 2011A

Consisting of:

\$3,715,000
Subseries 2011A-1

\$180,000
Subseries 2011A-2
(Federally Taxable)

Dated: Date of Delivery

Due: July 1, as shown on the inside cover

Payment and Security: The InterAgency Council Pooled Loan Program Revenue Bonds, Series 2011A consisting of Subseries 2011A-1 (the "Subseries 2011A-1 Bonds") and Subseries 2011A-2 (Federally Taxable) (the "Subseries 2011A-2 Bonds"; together with the Subseries 2011A-1 Bonds, the "Series 2011A Bonds") will be special obligations of the Dormitory Authority of the State of New York (the "Authority"). Principal, Sinking Fund Installments and Redemption Price of and interest on the Series 2011A Bonds are payable solely from and secured by a pledge of the Revenues (described below) and the funds and accounts (other than the Arbitrage Rebate Fund) authorized by the Authority's InterAgency Council Pooled Loan Program Revenue Bond Resolution adopted on March 31, 2010 (the "Resolution") and established with respect to the Series 2011A Bonds by the Series 2011A Resolution Authorizing Up To \$5,000,000 InterAgency Council Pooled Loan Program Revenue Bonds, Series 2011A, adopted July 27, 2011 (the "Series 2011A Resolution" and together with the Resolution, the "Resolutions"), including a Debt Service Reserve Fund.

The Revenues pledged to the payment of the Series 2011A Bonds are comprised of certain payments to be made under separate Loan Agreements dated as of July 27, 2011 (each a "Loan Agreement"), between the Authority and each of the following members of the Interagency Council of Developmental Disabilities Agencies, Inc., each of which is a New York State not-for-profit corporation: Lifespire, Inc., Paul J. Cooper Center for Human Services, Inc. and Wildwood Programs, Inc. (each a "Series 2011A Participant" and collectively, the "Series 2011A Participants").

Each Loan Agreement is a general obligation of the respective Series 2011A Participant to pay, in addition to certain fees and expenses, only its Allocable Portion of the principal, Sinking Fund Installments and Redemption Price of and interest on the Series 2011A Bonds corresponding to such Series 2011A Participant's proportionate share of the proceeds of the Series 2011A Bonds loaned to it by the Authority, and to maintain its Allocable Portion of the Debt Service Reserve Fund Requirement. Payment of amounts due under the Loan Agreements are several and not joint obligations of the Series 2011A Participants. Each of the Series 2011A Participant's obligations under its respective Loan Agreement will be secured by a security interest in certain revenues of such Series 2011A Participant granted to the Authority and pledged and assigned to the Trustee.

A DEFAULT BY ANY ONE OR MORE OF THE SERIES 2011A PARTICIPANTS UNDER THEIR RESPECTIVE LOAN AGREEMENTS MAY RESULT IN A DEFAULT UNDER THE RESOLUTIONS WITH RESPECT TO SUCH SERIES 2011A PARTICIPANT'S ALLOCABLE PORTION OF THE SERIES 2011A BONDS; HOWEVER, ANY LIABILITY WITH RESPECT TO SUCH DEFAULT IS LIMITED SOLELY TO THE SERIES 2011A PARTICIPANT OR SERIES 2011A PARTICIPANTS THAT ARE IN DEFAULT, WITHOUT RIGHT OF CONTRIBUTION FROM THE NON-DEFAULTING SERIES 2011A PARTICIPANTS. ANY SUCH DEFAULT, HOWEVER, COULD RESULT IN A DEFAULT IN PAYMENT OF THE SERIES 2011A BONDS.

The Series 2011A Bonds will not be a debt of the State of New York nor will the State of New York be liable thereon. The Authority has no taxing power.

Description: The Series 2011A Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple in excess thereof. Interest (due January 1, 2012 and each July 1 and January 1 thereafter) on the Series 2011A Bonds will be payable by check mailed to the registered owners thereof and principal and Redemption Price of the Series 2011A Bonds will be payable at the principal corporate trust office of The Bank of New York Mellon, New York, New York, the Trustee and Paying Agent, or at the option of the holder of at least \$1,000,000 principal amount of the Series 2011A Bonds, by wire transfer, as more fully described herein.

The Series 2011A Bonds will be issued as fully registered bonds and when issued initially will be issued in book-entry form, registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2011A Bonds. Purchases of beneficial ownership interests in the Series 2011A Bonds may be made only through the DTC book-entry system. Beneficial Owners (as defined herein) of the Series 2011A Bonds will not receive certificates representing their interests in the Series 2011A Bonds. See "PART 4 - THE SERIES 2011A BONDS – Book-Entry Only System" herein.

Redemption and Purchase in Lieu of Redemption: The Series 2011A Bonds are subject to redemption and purchase in lieu of redemption prior to maturity as more fully described herein.

Tax Matters: In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Authority, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Subseries 2011A-1 Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Subseries 2011A-1 Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. Interest on the Subseries 2011A-2 Bonds is included in gross income for federal income tax purposes pursuant to the Code. In addition, in the opinion of Bond Counsel to the Authority, under existing statutes, interest on the Series 2011A Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof. See "PART 10 - TAX MATTERS" herein.

The Series 2011A Bonds are offered, when, as and if issued by the Authority, subject to prior sale, withdrawal or modification of the offer without notice, and subject to the approval of legality by Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Authority. Certain legal matters will be passed upon for the Series 2011A Participants by Lombardi, Walsh, Wakeman, Harrison, Amodeo & Davenport, PC, Albany, New York and for the Underwriter by McCarter & English, LLP, New York, New York and Newark, New Jersey. The Authority expects to deliver the Series 2011A Bonds in definitive form in New York, New York on or about August 17, 2011.

MUNICIPAL CAPITAL MARKETS GROUP, INC.

\$3,895,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
INTERAGENCY COUNCIL POOLED LOAN PROGRAM REVENUE BONDS,
SERIES 2011A

Consisting of:

\$3,715,000
Subseries 2011A-1

Maturing July 1	Principal Amount	Coupon	Yield	CUSIP⁽¹⁾
2012	\$160,000	1.20%	1.20%	649906 GW8
2013	175,000	1.40	1.40	649906 GX6
2014	270,000	1.60	1.60	649906 GY4
2015	270,000	1.80	1.80	649906 GZ1
2016	275,000	2.10	2.10	649906 HA5
2017	285,000	2.45	2.45	649906 HB3
2018	285,000	2.80	2.80	649906 HC1
2019	285,000	3.15	3.15	649906 HD9
2020	285,000	3.40	3.40	649906 HE7
2021	290,000	3.55	3.55	649906 HF4

\$1,135,000 4.125% Term Bond due July 1, 2026, Price 98.125% CUSIP⁽¹⁾ 649906 HG2

\$180,000
Subseries 2011A-2
(Federally Taxable)

\$180,000 3.00% Term Bond due July 1, 2013 to Yield 3.00% CUSIP⁽¹⁾ 649906 HH0

(1) CUSIP numbers have been assigned by an independent company not affiliated with the Authority and are included solely for the convenience of the holder of the Series 2011A Bonds. Neither the Authority nor the Underwriter is responsible for the selection of uses of the CUSIP numbers, and no representation is made as to their correctness on the Series 2011A Bonds or as indicated above. CUSIP numbers are subject to being changed after the issuance of the Series 2011A Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Series 2011A Bonds or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the Series 2011A Bonds.

No dealer, broker, salesman or other person has been authorized by the Authority, the Series 2011A Participants or the Underwriter to give any information or to make any representations with respect to the Series 2011A Bonds, other than the information and representations contained in this Official Statement. If given or made, any such information or representation must not be relied upon as having been authorized by the Authority, the Series 2011A Participants 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 any sale of the Series 2011A 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 Series 2011A Participants, the Interagency Council of Developmental Disabilities Agencies, Inc. (the "Program Facilitator") and other sources that the Authority believes are reliable. The Authority does not guarantee the accuracy or completeness of such information and such information is not to be construed as a representation of the Authority.

Each Series 2011A Participant has reviewed the portions of this Official Statement describing such Series 2011A Participant, its Series 2011A Facilities, its Mortgage, if any, "PART 4 - THE SERIES 2011A PARTICIPANTS," "PART 5 - SOURCES OF SERIES 2011A PARTICIPANT FUNDING," "PART 6 - ESTIMATED SOURCES AND USES OF FUNDS," "PART 11 - BONDHOLDERS' RISKS," and the information relating to it contained in Appendices A, B, and C. It is a condition to the sale and delivery of the Series 2011A Bonds that each Series 2011A Participant certify that, as of each such date, such parts do not contain any untrue statement of a material fact and do not omit to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which the statements were made, not misleading. The Series 2011A Participants make no representations as to the accuracy or completeness of any other information included in this Official Statement.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement pursuant to its responsibility to investors under the federal securities law, but the Underwriter does not guarantee the accuracy or completeness of such information.

References in this Official Statement to the Act, the Resolution, the Series 2011A Resolution and the Loan Agreements do not purport to be complete. Refer to the Act, the Resolution, the Series 2011A Resolution and the Loan Agreements for full and complete details of their provisions. Copies of the Resolution, the Series 2011A Resolution and the Loan Agreements are on file with the Authority and the Trustee.

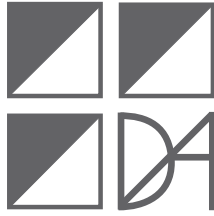
The order and placement of material in this Official Statement, including its appendices, are not to be deemed a determination of relevance, materiality or importance, and all material in this Official Statement, including its appendices, must be considered in its entirety.

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 or the Series 2011A Participants have remained unchanged after the date of this Official Statement.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2011A BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2011A BONDS AT LEVELS ABOVE THOSE THAT 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. - PRESIDENT

515 BROADWAY, ALBANY, N.Y. 12207
ALFONSO L. CARNEY, JR. - CHAIR

OFFICIAL STATEMENT

relating to

\$3,895,000

INTERAGENCY COUNCIL POOLED LOAN PROGRAM REVENUE BONDS, SERIES 2011A

Consisting of:

**\$3,715,000 Subseries 2011A-1 and
\$180,000 Subseries 2011A-2 (Federally Taxable)**

PART 1 - INTRODUCTION

Purpose of Official Statement

The purpose of this Official Statement, which includes the cover page, the inside cover page and the appendices hereto, is to provide information about the Dormitory Authority of the State of New York (the "Authority"), Lifespire, Inc., Paul J. Cooper Center for Human Services, Inc. and Wildwood Programs, Inc. (collectively, the "Series 2011A Participants") in connection with the offering by the Authority of the \$3,895,000 aggregate principal amount of InterAgency Council Pooled Loan Program Revenue Bonds, Series 2011A, consisting of \$3,715,000 Subseries 2011A-1 Bonds and \$180,000 Subseries 2011A-2 Bonds (Federally Taxable) (collectively, the "Series 2011A Bonds").

The following is a brief description of certain information concerning the Series 2011A Bonds, the Authority and the Series 2011A Participants. A more complete description of such information and additional information that may affect decisions to invest in the Series 2011A Bonds is contained throughout this Official Statement, which should be read in its entirety. Certain capitalized terms used in this Official Statement are defined in Appendix D hereto.

Purpose of the Issues

The Series 2011A Bonds are being issued for the purpose of (i) financing, refinancing or reimbursing a portion of the cost of the acquisition, renovation and furnishing, as applicable, of certain facilities (collectively, the "Series 2011A Facilities") of the Series 2011A Participants for the provision of services to people with developmental disabilities or other special needs and the acquisition of equipment and other personal property with respect to such Series 2011A Facilities (the "Series 2011A Project"), (ii) making a deposit to each account of the Debt Service Reserve Fund in an amount equal to each Series 2011A Participant's Allocable Portion of the Debt Service Reserve Fund Requirement, (iii) making a deposit to the Capitalized Interest Account of the Project Loan Fund for Paul J. Cooper Center for Human

Services, Inc. and (iv) paying certain costs of issuance of the Series 2011A Bonds. The Loan Agreements in the aggregate require the payment of amounts sufficient to provide for the payment of the principal or Redemption Price, if any, of, Sinking Fund Installments with respect to, and interest on, the Series 2011A Bonds as the same become due. See “PART 6 - ESTIMATED SOURCES AND USES OF FUNDS.” For a description of the Series 2011A Facilities being financed or refinanced with proceeds of the Series 2011A Bonds, see “Appendix A - Description of Series 2011A Participants.”

Authorization of Issuance

The Act authorizes the Authority, among other things, to issue its bonds for the purpose of financing or refinancing the costs of the acquisition, construction, reconstruction, renovation, development, improvement, expansion and equipping of certain educational, administrative, day program and residential facilities of the not-for-profit members (each a “Participant”) of the Interagency Council of Developmental Disabilities Agencies, Inc., which members include the Series 2011A Participants.

The Series 2011A Bonds will be issued pursuant to the Act, the Resolution and the Series 2011A Resolution. The Resolution authorizes the issuance of multiple series of bonds (each a “Series of Bonds”) pursuant to separate series resolutions (each a “Series Resolution”). Pursuant to the Resolution, each Series of Bonds issued thereunder, including the Series 2011A Bonds, is to be separately secured by (i) the funds and accounts established with respect to such Series of Bonds under a Series Resolution, and (ii) the Revenues pledged to such Series of Bonds and derived from payments made under the loan agreements entered into by the Authority and the applicable Participants in connection with the issuance of such Series of Bonds. Neither the funds and accounts established under a Series Resolution nor any loan agreement entered into or any mortgage or other security granted in connection with the issuance of a Series of Bonds shall secure any other Series of Bonds. See “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2011A BONDS.”

The Authority

The Authority is a public benefit corporation of the State of New York (the “State”), created for the purpose of financing and constructing a variety of public-purpose facilities for certain educational, healthcare, governmental and not-for-profit institutions. See “PART 7 - THE AUTHORITY.”

The Program Facilitator

The Interagency Council of Developmental Disabilities Agencies, Inc. (the “Program Facilitator”) will act as the facilitator for the InterAgency Council Pooled Loan Program. The Program Facilitator is a not-for-profit membership organization voluntarily supported by one hundred twenty not-for-profit service provider agencies that conduct business primarily in the City of New York metropolitan area, but also throughout the State, including the Series 2011A Participants. “PART 4 - THE SERIES 2011A PARTICIPANTS.”

The Series 2011A Participants

Each of the Series 2011A Participants is a not-for-profit corporation organized and existing under the laws of the State and determined to be exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”). See “PART 4 - THE SERIES 2011A PARTICIPANTS,” “PART 5 - SOURCES OF SERIES 2011A PARTICIPANT FUNDING,” “Appendix A - Description of Series 2011A Participants,” “Appendix B - Audited Financial Statements of Series 2011A Participants,” and “Appendix C - Unaudited Financial Information of Series 2011A Participants.”

Upon delivery of the Series 2011A Bonds, the Series 2011A Participants will receive loans from the Authority from the proceeds thereof in the following principal amounts, representing each Series 2011A Participant's Allocable Portion of each Subseries of the Series 2011A Bonds:

<u>Series 2011A Participant</u>	<u>Subseries 2011A-1</u>	<u>Subseries 2011A-2</u>	<u>Total</u>
Lifespire, Inc.	1,840,000	85,000	1,925,000
Paul J. Cooper Center for Human Services, Inc.	1,355,000	65,000	1,420,000
Wildwood Programs, Inc.	520,000	30,000	550,000

No Series 2011A Participant is responsible for the payment obligations of any other Series 2011A Participant. If a Series 2011A Participant fails to pay amounts due under its Loan Agreement in respect of its Allocable Portion of the Series 2011A Bonds, the Authority's sole remedy will be against the defaulting Series 2011A Participant and no other Series 2011A Participant. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2011A BONDS - Events of Default - Special Provisions Relating to Defaults Affecting Only an Allocable Portion of the Series 2011A Bonds" and "Appendix F Summary of Certain Provisions of the Resolutions." See also, "PART 3 - THE SERIES 2011A BONDS - Redemption Provisions - Extraordinary Mandatory Redemption."

The Series 2011A Bonds

The Series 2011A Bonds are dated their date of delivery and bear interest from such date (payable January 1, 2012, and on each July 1 and January 1 thereafter) at the rates and will mature at the times set forth on the inside front cover page of this Official Statement. See "PART 3 - THE SERIES 2011A BONDS - Description of the Series 2011A Bonds."

Payment of the Series 2011A Bonds

The Series 2011A Bonds are special obligations of the Authority payable from the Revenues, which consist of certain payments required to be made by the Series 2011A Participants pursuant to their respective Loan Agreements on account of the principal, Sinking Fund Installments and Redemption Price, if any, of and interest due on the Outstanding Series 2011A Bonds. The Revenues are pledged and assigned to the Trustee.

Pursuant to its Loan Agreement, each Series 2011A Participant will be required to pay, among other things, its Allocable Portion of the principal, Sinking Fund Installments and Redemption Price of and interest due on the Outstanding Series 2011A Bonds, in each case corresponding to the proceeds of each maturity of each Subseries of the Series 2011A Bonds loaned to it by the Authority. The obligation of each Series 2011A Participant to make payments under its Loan Agreement constitutes a general obligation of such Series 2011A Participant. The payment obligations of the Series 2011A Participants are several, not joint. For a listing of each Series 2011A Participant's Allocable Portion of the principal and Sinking Fund Installments of and interest on the Series 2011A Bonds, see "PART 3 - THE SERIES 2011A BONDS - Principal, Sinking Fund Installment and Interest Requirements for the Series 2011A Bonds."

Security for the Series 2011A Bonds

The Series 2011A Bonds will be secured by the pledge and assignment to the Trustee of the Revenues, the proceeds from the sale of the Series 2011A Bonds (until disbursed as provided by the

Resolution) and all funds and accounts authorized by the Resolution and established by the Series 2011A Resolution (with the exception of the Arbitrage Rebate Fund), including a Debt Service Reserve Fund (the "Series 2011A Debt Service Reserve Fund") which will be funded at its requirement with proceeds of the Series 2011A Bonds. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2011A - Security for the Series 2011A Bonds."

The Series 2011A Bonds are separately secured from all other Series of Bonds. The Holders of any Series of Bonds other than the Series 2011A Bonds are not entitled to the rights, benefits and security conferred upon the Holders of the Series 2011A Bonds.

Additional Security - Pledged Revenues and the Standby Intercept

The Series 2011A Bonds will also be secured by the pledge and assignment to the Trustee of the Authority's security interest in the Pledged Revenues, subject to Prior Pledges, granted by each of the Series 2011A Participants to the Authority pursuant to its Loan Agreement. Certain of the Series 2011A Participants have previously pledged their Public Funds (a portion of which consists of the Pledged Revenues) to the Authority or an industrial development agency as security for their obligations in connection with bonds previously issued by the Authority or such industrial development agency and therefore the pledge of the Pledged Revenues securing such Series 2011A Participant's Allocable Portion of the Series 2011A Bonds is subject, and subordinate, to such Prior Pledges in all respects. See "Appendix A - Description of Series 2011A Participants" for a description of which Series 2011A Participants have Prior Pledges of their respective Pledged Revenues.

Pledged Revenues are all Public Funds payable to a Series 2011A Participant with respect to its Series 2011A Facilities, which in the case of each Series 2011A Participant means amounts payable by the New York State Office for People with Developmental Disabilities, formerly known as the New York State Office of Mental Retardation and Developmental Disabilities ("OPWDD"), pursuant to separate Prior Property Approvals (each a "PPA") issued by OPWDD with respect to each Series 2011A Facility. The PPA represents OPWDD's pre-approval of the applicable Series 2011A Facility for reimbursement of amounts calculated to be sufficient to pay the principal and interest costs incurred by the related Series 2011A Participant in connection with its financing or refinancing of the acquisition, renovation and furnishing, as applicable, of such Series 2011A Facility, in each case subject to annual appropriation by the State Legislature and so long as such Series 2011A Participant operates the applicable Series 2011A Facility in accordance with certain defined standards. Assuming annual appropriation of sufficient funds and continued compliance with operational standards, it is expected that the amounts received by the Series 2011A Participants pursuant to their respective PPAs will be sufficient to pay the principal of and interest on their respective Allocable Portions of the Series 2011A Bonds. See "PART 5 - SOURCES OF SERIES 2011A PARTICIPANT FUNDING - New York State Office for People with Developmental Disabilities."

The Pledged Revenues will be paid directly to each Series 2011A Participant and may be disposed of by such Series 2011A Participant for any of its corporate purposes. However, pursuant to the Act, the respective Loan Agreements and certain agreements entered into by the Authority, OPWDD and the respective Series 2011A Participants (each an "Intercept Agreement"), upon the occurrence of certain events described herein, the Authority may direct OPWDD to remit the revenues payable by OPWDD to a Series 2011A Participant pursuant to its PPA or PPAs (the "PPA Funds") directly to the Authority or the Trustee for application to the payment of such Series 2011A Participant's Allocable Portion of the Outstanding Series 2011A Bonds. Pledged Revenues of one Series 2011A Participant will not be available to satisfy the obligations of any other Series 2011A Participant. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2011A BONDS - Security for the Series 2011A Bonds

- Pledged Revenues - OPWDD Funds” and “- Standby Intercept.” See also, “Appendix E - Summary of Certain Provisions of the Loan Agreements.”

The ability of the Series 2011A Participants to satisfy their payment obligations under the respective Loan Agreements with respect to the Series 2011A Bonds and the Authority’s ability to realize upon its security interests in the respective Pledged Revenues are largely dependent upon the continued operation by the Series 2011A Participants of their respective Series 2011A Facilities, which may be adversely affected by a number of risk factors. Such risk factors include, but are not limited to, (i) the financial condition of the Series 2011A Participants and their ability to continue to generate sufficient revenues to support all of their respective facilities, including their Series 2011A Facilities, (ii) the continued compliance by the Series 2011A Participants with State and local operational standards with respect to their Series 2011A Facilities, and (iii) the continued commitment of public funds to support the programs and facilities operated by the Series 2011A Participants, particularly with respect to the Series 2011A Facilities, the continued appropriations by the State in amounts sufficient for OPWDD to make payments to the Series 2011A Participants pursuant to their respective PPAs. For a more detailed discussion of risk factors affecting the ability of the Series 2011A Participants to pay amounts owed under their Loan Agreements and the Pledged Revenues, as well as other risk factors affecting payment on the Series 2011A Bonds, see “PART 11 - BONDHOLDERS’ RISKS” herein. See also, “PART 5 - SOURCES OF SERIES 2011A PARTICIPANT FUNDING.”

Limitations on Payment and Security Upon the Occurrence of Certain Events of Default

A failure by a Series 2011A Participant to timely pay its obligations under its Loan Agreement might result in an event of default under the Resolutions if either (a) such Series 2011A Participant’s loan is accelerated in accordance with the provisions of its Loan Agreement, or (b) as a result of such nonpayment, there is failure to pay the principal, Sinking Fund Installments, and Redemption Price of and interest on the Series 2011A Bonds when due. In either event, the Resolution provides that an event of default will have occurred only with respect to the portion of each maturity of each Subseries of the Outstanding Series 2011A Bonds that corresponds to a principal installment on the defaulting Series 2011A Participant’s loan under the terms of its Loan Agreement (referred to as the “Defaulted Allocable Portion”). The funds available for the payment of a Defaulted Allocable Portion of the Series 2011A Bonds are limited by the Resolution to only those Revenues payable by or on behalf of such defaulting Series 2011A Participant pursuant to its Loan Agreement, funds on deposit with the Trustee attributable to such Series 2011A Participant and amounts recovered upon the realization on any collateral granted to the Authority as security for such Series 2011A Participant’s obligations under its Loan Agreement and pledged to the payment of the Series 2011A Bonds. After the application of all such amounts to the payment of the Defaulted Allocable Portion of the Series 2011A Bonds following the acceleration or extraordinary mandatory redemption thereof in accordance with the Resolutions, such Defaulted Allocable Portion of the Series 2011A Bonds will be deemed paid and discharged and the event of default cured, whether or not payment in full of all of the principal of and interest on such Defaulted Allocable Portion has been made to the Holders thereof. See “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2011A BONDS - Events of Default - Special Provisions Relating to Defaults Affecting Only an Allocable Portion of the Series 2011A Bonds” and “Appendix F - Summary of Certain Provisions of the Resolutions.” See also, “PART 3 - THE SERIES 2011A BONDS - Redemption Provisions - Extraordinary Mandatory Redemption.”

The Series 2011A Bonds will not be a debt of the State nor will the State be liable thereon. The Authority has no taxing power.

NO SERIES 2011A PARTICIPANT IS RESPONSIBLE FOR THE PAYMENT OBLIGATIONS OF ANY OTHER SERIES 2011A PARTICIPANT. IF A SERIES 2011A PARTICIPANT FAILS TO

PAY AMOUNTS DUE UNDER ITS LOAN AGREEMENT IN RESPECT OF ITS ALLOCABLE PORTION OF THE SERIES 2011A BONDS, THE AUTHORITY'S SOLE REMEDY WILL BE AGAINST THE DEFAULTING SERIES 2011A PARTICIPANT AND NO OTHER SERIES 2011A PARTICIPANT.

The Mortgages

Each Series 2011A Participant's obligations under its Loan Agreement will be additionally secured by a mortgage (each a "Mortgage") from such Series 2011A Participant to the Authority, granting a first mortgage lien on the Series 2011A Facilities, and by a first priority security interest, as applicable, in the fixtures, furniture and equipment located therein or used in connection therewith, in each case subject only to Permitted Encumbrances. The Mortgages do not presently provide any security for the Series 2011A Bonds. However, under certain circumstances described herein, one or more of the Mortgages are required to be assigned to the Trustee. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2011A BONDS - Security for the Series 2011A Bonds - The Mortgages."

See "Appendix A - Description of Series 2011A Participants" for a description of the Series 2011A Facilities.

One of the Mortgaged Properties of Lifespire, Inc. is subject to a right of reacquisition. See "PART 11 - BONDHOLDERS' RISKS - Mortgages - Right of Reacquisition of the 3916 Kings Highway Facility."

PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2011A BONDS

Set forth below is a narrative description of certain contractual provisions relating to the source of payment of and security for the Series 2011A Bonds and certain related covenants. These provisions have been summarized, and this description does not purport to be complete. Reference should be made to the Act, the Resolution, the Series 2011A Resolution and the Loan Agreements, copies of which are on file with the Authority and the Trustee. See also "Appendix E - Summary of Certain Provisions of the Loan Agreements" and "Appendix F - Summary of Certain Provisions of the Resolutions" for a more complete statement of the rights, duties and obligations of the parties thereto.

Payment of the Series 2011A Bonds

The Series 2011A Bonds are special obligations of the Authority. The principal, Sinking Fund Installments, and Redemption Price of and interest on the Series 2011A Bonds are payable solely from the Revenues. The Revenues consist of the payments required to be made by each of the Series 2011A Participants under its respective Loan Agreement on account of such Series 2011A Participant's Allocable Portion of (i) the principal, Sinking Fund Installments, and Redemption Price of and interest due on the Series 2011A Bonds, and (ii) the Series 2011A Debt Service Reserve Fund Requirement (as defined below). The Revenues and the right to receive them have been pledged to the Trustee for the benefit of the Holders of the Series 2011A Bonds. The aggregate of payments due and payable to the Authority under all of the Loan Agreements will be sufficient to pay (i) the principal, Sinking Fund Installments and Redemption Price of and interest on the Series 2011A Bonds when due, (ii) amounts necessary to maintain the Series 2011A Debt Service Reserve Fund at its required level, and (iii) the annual fees of the Authority and the Trustee.

Each Loan Agreement is a general obligation of the respective Series 2011A Participant, pursuant to which such Series 2011A Participant will be required to make payments in amounts sufficient to satisfy

its Allocable Portion of the principal, Sinking Fund Installments, and Redemption Price of and interest due on the Series 2011A Bonds as reflected in the debt service table set forth in “PART 3 – THE SERIES 2011A BONDS – Principal, Sinking Fund Installment and Interest Requirements for the Series 2011A Bonds.” The payment obligations of the Series 2011A Participants with respect to the Series 2011A Bonds are several, not joint. Each Series 2011A Participant is obligated to repay only its Allocable Portion of the Series 2011A Bonds. Each Series 2011A Participant’s payments under its respective Loan Agreement will be applied pro rata to its Allocable Portion of the principal, Sinking Fund Installments, and Redemption Price of and interest due on each Subseries of the Outstanding Series 2011A Bonds.

Payments under each of the Loan Agreements are to be made monthly on the 10th day of each month. Each payment is to be equal to one-sixth of such Series 2011A Participant’s Allocable Portion of the interest coming due on the next succeeding interest payment date and one-twelfth of the principal and Sinking Fund Installments coming due on the next succeeding July 1. See “PART 3 – THE SERIES 2011A BONDS – Principal, Sinking Fund Installment and Interest Requirements for the Series 2011A Bonds.” Each of the respective Loan Agreements also obligates each respective Series 2011A Participant to pay, at least 45 days prior to a redemption date of Series 2011A Bonds called for redemption, its Allocable Portion of the amount, if any, required to pay the Redemption Price of such Series 2011A Bonds. See “PART 3 – THE SERIES 2011A BONDS – Redemption Provisions.”

Security for the Series 2011A Bonds

General

The Series 2011A Bonds will be secured ratably by the pledge and assignment to the Trustee of the Revenues and the Authority’s security interest in the Pledged Revenues, subject to Prior Pledges. The Series 2011A Bonds will also be secured by the proceeds from the sale of the Series 2011A Bonds (until disbursed as provided in the Resolutions) and all funds and accounts authorized by the Resolution and established by the Series 2011A Resolution (with the exception of the Arbitrage Rebate Fund), including the Series 2011A Debt Service Reserve Fund.

Pursuant to the terms of the Resolution, the Series 2011A Bonds are separately secured from all other Series of Bonds. The Holders of any Series of Bonds other than the Series 2011A Bonds are not entitled to the rights, benefits and security conferred upon the Holders of the Series 2011A Bonds.

Pledged Revenues - OPWDD Funds

Pursuant to the Act and the respective Loan Agreements, each Series 2011A Participant has pledged and assigned to the Authority its Pledged Revenues in an amount sufficient to satisfy its payment obligations under its Loan Agreement. With respect to each Series 2011A Participant, the Pledged Revenues consist of the PPA Funds payable to such Series 2011A Participant by OPWDD in connection with its Series 2011A Facilities.

Each Series 2011A Facility is supported by an OPWDD PPA, which the applicable Series 2011A Participant has received. The PPA represents OPWDD’s pre-approval of the applicable Series 2011A Facility for reimbursement of amounts calculated to be sufficient to pay the principal and interest costs incurred by the related Series 2011A Participant in connection with its financing or refinancing of the acquisition, renovation and furnishing, as applicable, of such Series 2011A Facility, in each case subject to annual appropriation by the State Legislature and so long as such Series 2011A Participant operates the applicable Series 2011A Facility in accordance with certain defined standards. Assuming annual appropriation of sufficient funds and continued compliance with operational standards, it is expected that the amounts received by the Series 2011A Participants pursuant to their respective PPAs will be sufficient

to pay the principal of and interest on their respective Allocable Portions of the Series 2011A Bonds. See “PART 5 - SOURCES OF SERIES 2011A PARTICIPANT FUNDING - New York State Office for People with Developmental Disabilities.”

The Series 2011A Participants’ Pledged Revenues are subject to Prior Pledges, if any. See “Appendix A - Description of the Series 2011A Participants” for a description of which Series 2011A Participants have Prior Pledges of their respective Pledged Revenues.

Standby Intercept

The Act authorizes, and each Loan Agreement and Intercept Agreement establishes, an intercept mechanism whereby OPWDD officials are authorized and required to pay a Series 2011A Participant’s PPA Funds to the Authority in accordance with a certificate filed by the Authority with such State officer. Until the occurrence of an event with respect to a Series 2011A Participant described in clause (a) or (b) below, a Series 2011A Participant’s PPA Funds will be paid directly to such Series 2011A Participant and applied towards any of its corporate purposes. However, pursuant to the respective Loan Agreements and Intercept Agreements, upon the occurrence of (a) an event of default under a Series 2011A Participant’s Loan Agreement, or an event which with the passage of time or giving of notice, or both, would become an event of default under such Series 2011A Participant’s Loan Agreement, or (b) a drawing of funds from the Debt Service Reserve Fund for the benefit of such Series 2011A Participant that has not been repaid by such Series 2011A Participant as required by its Loan Agreement and the Resolutions, the Authority may, in addition to all other remedies available pursuant to such Series 2011A Participant’s Loan Agreement, cause such Series 2011A Participant’s PPA Funds to be deducted, withheld and paid directly to the Authority or the Trustee, as appropriate, in an amount sufficient to make the payments required by such Series 2011A Participant pursuant to its Loan Agreement. See “PART 5 - SOURCES OF SERIES 2011A PARTICIPANT FUNDING - New York State Office for People with Developmental Disabilities.” PPA Funds of one Series 2011A Participant will not be available to satisfy the payment obligations of any other Series 2011A Participant.

There can be no assurance that the amount of a Series 2011A Participant’s PPA Funds will be sufficient to satisfy its payment obligations with respect to its Allocable Portion of the Series 2011A Bonds. In the event that amounts received from OPWDD upon the intercept of a Series 2011A Participant’s PPA Funds are insufficient to pay all of a Series 2011A Participant’s Allocable Portion of the principal of and interest on the Series 2011A Bonds when due, such amounts received will be applied pro rata to such Series 2011A Participant’s Allocable Portion of each Subseries of the Series 2011A Bonds.

The ability of the Series 2011A Participants to satisfy their payment obligations under the respective Loan Agreements with respect to the Series 2011A Bonds and the Authority’s ability to realize upon its security interests in the respective Pledged Revenues are largely dependent upon the continued operation by the Series 2011A Participants of their respective Series 2011A Facilities, which may be adversely affected by a number of risk factors. Such risk factors include, but are not limited to, (i) the financial condition of the Series 2011A Participants and their ability to continue to generate sufficient revenues to support all of their respective facilities, including their Series 2011A Facilities, (ii) the continued compliance by the Series 2011A Participants with State and local operational standards with respect to their Series 2011A Facilities, and (iii) the continued commitment of public funds to support the programs and facilities operated by the Series 2011A Participants, particularly with respect to the Series 2011A Facilities, the continued appropriations by the State in amounts sufficient for OPWDD to make payments to the Series 2011A Participants pursuant to their respective PPAs. For a more detailed discussion of risk factors affecting the ability of the Series 2011A Participants to pay amounts owed under their Loan Agreements and the Pledged Revenues, as well as other risk factors affecting payment

on the Series 2011A Bonds, see “PART 11 - BONDHOLDERS’ RISKS” herein. See also, “PART 5 - SOURCES OF SERIES 2011A PARTICIPANT FUNDING.”

Debt Service Reserve Fund

The Resolution authorizes, and the Series 2011A Resolution establishes, the Series 2011A Debt Service Reserve Fund, which is required to be maintained in an amount equal to one-half of the greatest amount required in the then current or any future calendar year to pay the sum of (i) interest on the Outstanding Series 2011A Bonds payable during such year, excluding interest accrued thereon prior to July 1 of the next preceding year and (ii) the principal and the Sinking Fund Installments of such Series 2011A Bonds (the “Series 2011A Debt Service Reserve Fund Requirement”).

Proceeds of the Series 2011A Bonds will be deposited in separate accounts established in the Series 2011A Debt Service Reserve Fund for each Series 2011A Participant in amounts equal to the respective Series 2011A Participant’s Allocable Portion of the Series 2011A Debt Service Reserve Fund Requirement. If, on the fourth Business Day preceding an interest payment date for the Series 2011A Bonds, the amount on deposit in the account established for a Series 2011A Participant in the Debt Service Fund is less than the amount necessary to pay such Series 2011A Participant’s Allocable Portion of the principal or Sinking Fund Installments of and interest on the Outstanding Series 2011A Bonds payable on such interest payment date, the Trustee is required to transfer moneys from the applicable account of the Series 2011A Debt Service Reserve Fund to the corresponding account of the Debt Service Fund in an amount sufficient to provide for such payment. Each Loan Agreement requires the respective Series 2011A Participant to restore in full any amount withdrawn from the Series 2011A Debt Service Reserve Fund for its benefit within five (5) days after receiving notice of a withdrawal. Each Loan Agreement also requires the respective Series 2011A Participant to restore in full its Allocable Portion of the Series 2011A Debt Service Reserve Fund Requirement within five (5) days after receiving notice of a deficiency in the Series 2011A Debt Service Reserve Fund resulting from a devaluation of the investments held therein. Moneys in the Series 2011A Debt Service Reserve Fund in excess of its requirement shall be applied in accordance with the Resolutions.

In lieu of or in substitution for moneys in the Series 2011A Debt Service Reserve Fund, the Authority may deposit or cause to be deposited with the Trustee a Reserve Fund Facility satisfying the requirements of the Resolutions for all or any part of the Series 2011A Debt Service Reserve Fund Requirement or any Series 2011A Participant’s Allocable Portion thereof. See “Appendix F - Summary of Certain Provisions of the Resolutions.”

Mortgages

Each Series 2011A Participant’s obligations to the Authority under its Loan Agreement will be additionally secured by its Mortgage granting a first mortgage lien on its Series 2011A Facilities to the Authority, and by a first priority security interest granted to the Authority in the fixtures, furnishings and equipment now or hereafter located on the property subject to such Mortgage, in each case subject to Permitted Encumbrances. See “Appendix A - Description of Series 2011A Participants.”

The Authority may, but has no present intention to, assign all or a portion of any of the Mortgages or such security interests to the Trustee. Upon (a) a withdrawal from an applicable account of the Series 2011A Debt Service Reserve Fund, which has not been restored by the respective Series 2011A Participant to its requirement within thirty (30) days from the date of such withdrawal or (b) the occurrence and continuance of an event of default under a Series 2011A Participant’s Loan Agreement and the acceleration of the loan thereunder, the Authority is required to assign such Series 2011A Participant’s Mortgage and the related security interest in the fixtures, furnishings and equipment to the

Trustee for the benefit of the Holders of such Series 2011A Participant's Allocable Portion of the Outstanding Series 2011A Bonds. Unless a Mortgage is assigned to the Trustee, none of the Mortgages or the security interests in the related fixtures, furnishings and equipment or any proceeds therefrom will be pledged to the Holders of the Series 2011A Bonds. **Each Mortgage secures only the obligations of the Series 2011A Participant granting the Mortgage, and, in the event of a default by a Series 2011A Participant which may lead to the assignment of its Mortgage, only the Mortgage of that defaulting Series 2011A Participant may be assigned.**

Each Series 2011A Participant may incur debt secured on parity with or subordinate to the lien of its Mortgage, including debt incurred in connection with the issuance of other Series of Bonds under the Resolution, with the prior consent of the Authority. Prior to any assignment of a Mortgage to the Trustee, each Loan Agreement provides that the Authority, without the consent of the Trustee or the Holders of the Series 2011A Bonds, may consent to the amendment, modification, termination, subordination or satisfaction of such Mortgage and of any security interest in furniture, fixtures or equipment located in or on or used in connection therewith and the property subject to such Mortgage or security interest may be released from the lien thereof, all upon such terms and conditions as the Authority may reasonably require. Notwithstanding the foregoing, a Series 2011A Participant may remove furniture, fixtures or equipment from the Mortgaged Property provided that such Series 2011A Participant shall replace such furniture, fixtures or equipment with furniture, fixtures or equipment having equivalent value and utility.

The liens and security interest granted to the Authority by a Mortgage are subject to Permitted Encumbrances. The lien of and security interest in each Series 2011A Participant's owned Series 2011A Facility(ies) as described in its Mortgage may also be limited by certain factors. See "PART 11- BONDHOLDERS' RISKS" and "Appendix A – Description of Series 2011A Participants" herein.

Events of Default

Events of Default

The Resolutions provide that events of default thereunder constitute events of default with respect to the Series 2011A Bonds. The following are events of default under the Resolutions:

(i) a default in the payment of the principal, Sinking Fund Installments or Redemption Price of or interest on the Series 2011A Bonds of any Subseries; *provided, however*, if the failure to make any such payment is caused by a failure of a Series 2011A Participant to timely pay its Allocable Portion of the principal, Sinking Fund Installments or Redemption Price of or interest on the Series 2011A Bonds pursuant to the terms of its Loan Agreement, then it shall be an event of default under the Resolution only with respect to the Defaulted Allocable Portion of the Series 2011A Bonds Outstanding;

(ii) the Authority shall default in the due and punctual performance of its tax covenants contained in the Resolutions with the result that the interest on the Subseries 2011A-1 Bonds shall no longer be excludable from gross income for federal income tax purposes;

(iii) a default by the Authority in the due and punctual performance of any other covenant, condition, agreement or provision contained in the Series 2011A Bonds or in the Resolutions which continues for 30 days after written notice thereof is given to the Authority by the Trustee (such notice to be given at the Trustee's discretion or at the written request of Holders of not less than 25% in principal amount of Outstanding Series 2011A Bonds); or

(iv) an event of default under a Loan Agreement shall have occurred and is continuing and, as a result thereof, all sums payable by a Series 2011A Participant under such Loan Agreement shall have been declared to be immediately due and payable, which declaration shall not have been annulled; *provided, however*, that such event of default under a Loan Agreement shall constitute an event of default under the Resolutions only with respect to the Defaulted Allocable Portion of the Series 2011A Bonds.

With respect to an event of default affecting only the Defaulted Allocable Portion of the Series 2011A Bonds and not any other portion of the Series 2011A Bonds, the Trustee will determine such Defaulted Allocable Portion in the manner described in “PART 3 - THE SERIES 2011A BONDS - Redemption Provisions - Extraordinary Mandatory Redemption” herein.

The Series 2011A Bonds are separately secured from all other Series of Bonds which may be issued pursuant to the Resolutions. While an event of default with respect to another Series of Bonds will not necessarily result in an event of default with respect to the Series 2011A Bonds, an event of default by a Series 2011A Participant under a loan agreement entered into in connection with the issuance of another Series of Bonds will result in an event of default under such Series 2011A Participant’s Loan Agreement.

Acceleration; Control of Proceedings

The Resolution provides that if an event of default (other than an event of default described in clause (i) under the first paragraph of the subheading “Events of Default” above resulting from a Series 2011A Participant’s failure to timely pay its Allocable Portion of the Series 2011A Bonds or an event as described in clauses (ii) or (iv) under the first paragraph of the subheading “Events of Default”) occurs and continues, the Trustee shall, upon the written request of the Holders of not less than 25% in principal amount of the Outstanding Series 2011A Bonds, by a notice in writing to the Authority, declare the principal of and interest on all of the Outstanding Series 2011A Bonds to be due and payable immediately. At the expiration of 30 days from the giving of such notice, such principal and interest shall become immediately due and payable. The Trustee may, with the written consent of the Holders of not less than 25% in principal amount of the Series 2011A Bonds then Outstanding, annul such declaration and its consequences under the terms and conditions specified in the Resolution with respect to such annulment.

In the case of a default described in clause (i) under the first paragraph of the subheading “Events of Default” above resulting from a failure of a Series 2011A Participant to timely pay its Allocable Portion of the Series 2011A Bonds pursuant to its Loan Agreement, or a default described in clause (iv) under the first paragraph of the subheading “Events of Default” above then and in every such case the Trustee shall, upon the written request of the Holders of not less than 25% in principal amount of the Defaulted Allocable Portion of the Outstanding Series 2011A Bonds, declare the principal of and interest on the Defaulted Allocable Portion of the Outstanding Series 2011A Bonds to be due and payable immediately. At the expiration of 30 days after notice of such declaration has been given, such principal and interest shall become immediately due and payable. The Trustee may, with the written consent of the Holders of not less than 25% in principal amount of the Defaulted Allocable Portion of the Series 2011A Bonds then Outstanding, annul such declaration and its consequences under the terms and conditions specified in the Resolution with respect to such annulment.

The Holders of not less than 25% in principal amount of the Outstanding Series 2011A Bonds or 25% in principal amount of Defaulted Allocable Portion of the Outstanding Series 2011A Bonds, as applicable, or, in the case of a default described in clause (ii) in the first paragraph under the subheading “Events of Default” above, the Holders of not less than a majority in principal amount of the Outstanding

Series 2011A Bonds, shall have the right to direct the method and place of conducting all remedial actions to be taken by the Trustee.

Notice of Events of Default

The Resolution provides that the Trustee is to give notice in accordance with the Resolution of each event of default actually known to the Trustee to the Holders of the Series 2011A Bonds within 30 days, after knowledge of the occurrence thereof unless such default has been remedied or cured before the giving of such notice; provided, however, that except in the case of default in the payment of principal, Sinking Fund Installments or Redemption Price of or interest due on any of the Series 2011A Bonds, the Trustee is protected in withholding such notice thereof to the Holders if and as long as the Trustee in good faith determines that the withholding of such notice is in the best interests of the Holders of the Series 2011A Bonds.

Special Provisions Relating to Defaults Affecting Only an Allocable Portion of the Series 2011A Bonds

The Resolution provides that upon the happening and continuance of an event of default affecting only a Defaulted Allocable Portion of the Series 2011A Bonds as described in clauses (i) and (iv) above under the subheading "Events of Default," payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on such Defaulted Allocable Portion of Series 2011A Bonds (either by their terms, by acceleration or by the extraordinary mandatory redemption thereof) shall be limited solely to (i) those Revenues received or receivable by the Authority pursuant to the defaulting Series 2011A Participant's Loan Agreement, including such Series 2011A Participant's Pledged Revenues and other amounts derived from the exercise of any remedies under such Loan Agreement and the realization of any security or collateral granted by such defaulting Series 2011A Participant as security for its loan, and (ii) the moneys and securities on deposit in only those accounts established pursuant to the Series 2011A Resolution for the payment of such defaulting Series 2011A Participant's Allocable Portion of the Series of 2011A Bonds. Holders of a Defaulted Allocable Portion of the Series 2011A Bonds will have no right to any other Revenues or any other funds held by the Trustee under the Resolution derived from payments made by or on behalf of any other Series 2011A Participant for the payment of the Series 2011A Bonds or any other security pledged by such other non-defaulting Series 2011A Participants as security for their loans.

If, following the exercise of all remedies available to the Trustee under the Resolutions and the realization on all security and collateral available for the payment of a Defaulted Allocable Portion of the Outstanding Series 2011A Bonds, moneys derived from the sources specified above are available to pay only a portion of the principal and interest due on such Defaulted Allocable Portion of the Series 2011A Bonds upon the extraordinary mandatory redemption or acceleration thereof, then after application by the Trustee of all available moneys to the partial payment of such Defaulted Allocable Portion of the Series 2011A Bonds on a pro rata basis in accordance with the Resolution, (i) the remaining Defaulted Allocable Portion of the Series 2011A Bonds shall be cancelled with the same effect as if paid in full and the event of default shall be deemed cured, (ii) all obligations of the Authority and the Trustee under the Resolutions with respect to such Defaulted Allocable Portion of the Series 2011A Bonds shall be deemed to have been discharged and satisfied, and (iii) the Holders of the Defaulted Allocable Portion of the Series 2011A Bonds shall no longer be entitled to the benefits of the Resolutions by virtue of their ownership of such Defaulted Allocable Portion of the Series 2011A Bonds. Upon such payment and/or cancellation of a Defaulted Allocable Portion of the Outstanding Series 2011A Bonds, the Authority shall execute and the Trustee shall authenticate a new Series 2011A Bond or Series 2011A Bonds in a principal amount equal to the Outstanding principal amount of the Series 2011A Bonds of each applicable maturity less the principal amount of the Defaulted Allocable Portion thereof so paid and/or cancelled.

Payments made to Holders of the Series 2011A Bonds of less than all of the principal of and interest on a Defaulted Allocable Portion of the Outstanding Series 2011A Bonds following an acceleration or extraordinary mandatory redemption of such Defaulted Allocable Portion of the Series 2011A Bonds and the application by the Trustee of all funds available for the payment thereof as described above, will not be deemed a payment default on the Series 2011A Bonds under the Resolutions.

General

The Series 2011A Bonds will not be a debt of the State nor will the State be liable thereon. The Authority has no taxing power. The Authority has never defaulted in the timely payment of principal or sinking fund installments of or interest on its bonds or notes. See "PART 7 – THE AUTHORITY."

PART 3 - THE SERIES 2011A BONDS

Set forth below is a narrative description of certain provisions relating to the Series 2011A Bonds. These provisions have been summarized, and this description does not purport to be complete. Reference should be made to the Resolution, the Series 2011A Resolution and the Loan Agreements, copies of which are on file with the Authority and the Trustee. See also "Appendix E - Summary of Certain Provisions of the Loan Agreements" and "Appendix F - Summary of Certain Provisions of the Resolutions," for a more complete description of certain provisions of the Series 2011A Bonds.

General

The Series 2011A Bonds will be issued pursuant to the Resolutions. The Series 2011A Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), pursuant to DTC's Book-Entry Only System. Purchases of beneficial interests in the Series 2011A Bonds will be made in book-entry form, without certificates. So long as DTC or its nominee, Cede & Co., is the registered owner of the Series 2011A Bonds, payments of principal, Sinking Fund Installments, Redemption Price and interest on the Series 2011A Bonds will be made by the Trustee directly to Cede & Co. Disbursement of such payments to the Direct Participants (as hereinafter defined) is the responsibility of DTC and disbursement of those payments to the Beneficial Owners of the Series 2011A Bonds is the responsibility of the Direct Participants and the Indirect Participants (as hereinafter defined). If at any time the Book-Entry Only System is discontinued for the Series 2011A Bonds, the Series 2011A Bonds will be exchangeable for fully registered Series 2011A Bonds in any authorized denominations of the same Subseries and maturity, without charge, except the payment of any tax, fee or other governmental charge required to be paid with respect to such exchange, subject to the conditions and restrictions set for in the Resolution. See " - Book-Entry Only System" herein and "Appendix F - Summary of Certain Provisions of the Resolutions."

Description of the Series 2011A Bonds

The Series 2011A Bonds will be dated their date of delivery and will bear interest from such date (payable on January 1, 2012 and on each July 1 and January 1 thereafter) at the rates per annum, and will mature on July 1 in each of the years set forth on the inside front cover page of this Official Statement. The Series 2011A Bonds will be issuable in fully registered book-entry-only form, without coupons, in denominations of \$5,000 or any integral multiple in excess thereof.

Each Subseries of the Series 2011A Bonds may be exchanged for other Series 2011A Bonds of the same Subseries in any other authorized denominations upon 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 exchange and for the cost of preparing the new bond, and otherwise as provided in the Resolution.

Redemption Provisions

Optional Redemption

The Subseries 2011A-1 Bonds maturing after July 1, 2021 are subject to redemption, on or after July 1, 2021, as a whole or in part at any time at the option of the Authority, at the Redemption Prices (expressed as percentages of unpaid principal amount of the Subseries 2011A-1 Bonds to be redeemed) set forth below, plus accrued interest to the redemption date:

<u>Redemption Period</u> <u>(both dates inclusive)</u>	<u>Redemption Price</u>
July 1, 2021 through June 30, 2022	101.00%
July 1, 2022 through June 30, 2023	100.50
July 1, 2023 and thereafter	100.00

The Subseries 2011A-2 Bonds are not subject to optional redemption.

Extraordinary Mandatory Redemption

Each Defaulted Allocable Portion of the Series 2011A Bonds is subject to extraordinary mandatory redemption at any time prior to maturity in whole, within forty-five (45) days following the realization by the Trustee pursuant to the Resolution on all security and collateral granted by the applicable defaulting Series 2011A Participant as security for its loan upon an acceleration of such loan under its Loan Agreement. The Series 2011A Bonds to be so redeemed shall be redeemed at a redemption price equal to (a) the principal amount of the Outstanding Defaulted Allocable Portion of the Series 2011A Bonds to be redeemed on the redemption date, times the lesser of (i) 100% or (ii) the quotient, expressed as a percentage, obtained by dividing (A) the amount of funds available to the Trustee to pay the principal of and interest on such Defaulted Allocable Portion of the Series 2011A Bonds on the redemption date less the amount of accrued interest to be paid on such Defaulted Allocable Portion of the Series 2011A Bonds on such date, by (B) the principal amount of the Defaulted Allocable Portion of the Series 2011A Bonds to be redeemed, plus (b) accrued interest to the redemption date.

The Trustee shall, as reasonably practicable, determine the Defaulted Allocable Portion of the Series 2011A Bonds to be redeemed based upon the schedule of amortization of the defaulting Series 2011A Participant's loan which has been accelerated. All Series 2011A Bonds of each maturity that correspond to a principal installment of the defaulted loan shall be called for redemption in part. The Trustee shall redeem only that portion of each Series 2011A Bond which represents the quotient obtained by dividing the principal scheduled to be paid on such defaulted loan in the year of maturity of such Series 2011A Bond by the total principal scheduled to be paid in the year of maturity of such Series 2011A Bond on all loans made with the proceeds of the Series 2011A Bonds, including the defaulted loan.

The particular Series 2011A Bonds of each affected maturity to be redeemed will be selected in the manner described below under “- Selection of Series 2011A Bonds to be Redeemed.”

Special Redemption

The Series 2011A Bonds are also subject to redemption at the option of the Authority, as a whole or in part, on any interest payment date at 100% of the principal amount thereof, from the proceeds of a condemnation or insurance award, which is not to be used to repair, restore or replace a Series 2011A Facility of a Series 2011A Participant.

Mandatory Sinking Fund Redemption

The Subseries 2011A-1 Bonds maturing on July 1, 2026 shall be subject to mandatory redemption prior to maturity, in part on July 1 of the years and in the respective principal amounts set forth below, at a Redemption Price equal to the principal amount thereof, together with accrued interest to the date of redemption, from mandatory Sinking Fund Installments required to be made in amounts sufficient to redeem on July 1 of each year the principal amount of the Subseries 2011A-1 Bonds specified for each such year below:

Subseries 2011A-1 Bonds
Maturing July 1, 2026

<u>Year</u>	<u>Sinking Fund Installment</u>	<u>Year</u>	<u>Sinking Fund Installment</u>
2022	\$290,000	2025	\$180,000
2023	300,000	2026 [†]	190,000
2024	175,000		

[†]Final maturity.

The Subseries 2011A-2 Bonds maturing on July 1, 2013 shall be subject to mandatory redemption prior to maturity, in part on July 1 of the years and in the respective principal amounts set forth below, at a Redemption Price equal to the principal amount thereof, together with accrued interest to the date of redemption, from mandatory Sinking Fund Installments required to be made in amounts sufficient to redeem on July 1 of each year the principal amount of the Subseries 2011A-2 Bonds specified for each such year below:

Subseries 2011A-2 Bonds
Maturing July 1, 2013

<u>Year</u>	<u>Sinking Fund Installment</u>
2012	\$90,000
2013 [†]	90,000

[†]Final maturity.

The Series 2011A Participants may elect to have the Series 2011A Bonds purchased as a credit, at 100% of the principal amount thereof, against and in fulfillment of a required Sinking Fund Installment on the Series 2011A Bonds of the same Subseries and 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 Holder's Series 2011A Bonds of the Subseries and maturity so purchased will be reduced for such year.

Selection of Series 2011A Bonds to be Redeemed

In the case of redemptions of Subseries 2011A-1 Bonds described above under the heading "Optional Redemption," the Authority will select the maturities of the Allocable Portion of the Subseries 2011A-1 Bonds to be redeemed. In the case of redemption of Series 2011A Bonds described above under the heading "Special Redemption," Series 2011A Bonds will be redeemed to the extent practicable pro rata among maturities of the Allocable Portion of the Series 2011A Bonds, but only in integral multiples of \$5,000 within each maturity. If less than all of the Series 2011A Bonds of a maturity are to be redeemed (pursuant to an optional, special, extraordinary mandatory or mandatory sinking fund redemption), the Series 2011A Bonds of such maturity to be redeemed will be selected by the Trustee, by lot, using such method of selection as the Trustee shall consider proper in its discretion.

Notice of Redemption

The Trustee is to give notice of the redemption of a Series 2011A Bond in the name of the Authority which notice shall be given by first-class mail, postage prepaid, not less than thirty (30) days nor more than forty-five (45) days prior to the redemption date to the registered owners of any Series 2011A Bonds which are to be redeemed, at their last known addresses appearing on the registration books of the Authority not more than 10 days prior to the date such notice is to be given. If the Authority's obligation to redeem Series 2011A Bonds is subject to one or more conditions, then such notice must describe the conditions to such redemption. The failure of any owner of a Series 2011A Bond to be redeemed to receive notice of redemption thereof will not affect the validity of the proceedings for the redemption of such Series 2011A Bond. If directed in writing by an Authorized Officer of the Authority, the Trustee shall publish or cause to be published such notice in an Authorized Newspaper not less than thirty (30) days nor more than forty-five (45) days prior to the redemption date, but such publication is not a condition precedent to such redemption and failure to publish such notice or any defect in such notice or publication will not affect the validity of the proceedings for the redemption of such Series 2011A Bonds.

If, on the redemption date, moneys for the redemption of the Series 2011A Bonds of like Subseries and maturity to be redeemed, together with interest thereon to the redemption date, are held by the Trustee so as to be available for payment of the Redemption Price, and if notice of redemption has been mailed, then interest on the Series 2011A Bonds of such Subseries and maturity will cease to accrue from and after the redemption date and such Series 2011A Bonds will no longer be considered to be Outstanding under the Resolution and the Series 2011A Resolution.

For a more complete description of the redemption and other provisions relating to the Series 2011A Bonds, see "Appendix F - Summary of Certain Provisions of the Resolutions."

Purchase in Lieu of Optional Redemption

The Subseries 2011A-1 Bonds maturing after July 1, 2021 are also subject to purchase prior to maturity, at the election of the Authority, on or after July 1, 2021, in any order, in whole or in part at any time, at the prices set forth in "PART 3 - THE SERIES 2011A BONDS - Redemption Provisions - Optional Redemption" (the "Purchase Price"), plus accrued interest to the date set for purchase (the "Purchase Date") set forth in the notice of purchase to the registered owners of the Subseries 2011A-1 Bonds to be so purchased.

Notice of Purchase and its Effect

Notice of the purchase of Subseries 2011A-1 Bonds will be given by the Authority in the name of the Series 2011A Participants to the registered owners of the Subseries 2011A-1 Bonds to be purchased by first-class mail, postage prepaid, not less than thirty (30) days nor more than forty-five (45) days prior to the Purchase Date specified in such notice. The Subseries 2011A-1 Bonds to be purchased are required to be tendered on the Purchase Date to the Trustee. Subseries 2011A-1 Bonds to be purchased that are not so tendered will be deemed to have been properly tendered for purchase. Such purchase shall not operate to extinguish the indebtedness of the Authority evidenced thereby and such Subseries 2011A-1 Bonds need not be cancelled, but shall remain Outstanding under the Resolution and in such case shall continue to bear interest.

The Authority's obligation to purchase a Subseries 2011A-1 Bond to be purchased or cause it to be purchased is conditioned upon the availability of sufficient money to pay the Purchase Price for all of the Subseries 2011A-1 Bonds to be purchased on the Purchase Date. If sufficient money is available on the Purchase Date to pay the Purchase Price of the Subseries 2011A-1 Bonds to be purchased, the former registered owners of such Subseries 2011A-1 Bonds will have no claim thereunder or under the Resolution or otherwise for payment of any amount other than the Purchase Price. If sufficient money is not available on the Purchase Date for payment of the Purchase Price, the Subseries 2011A-1 Bonds tendered or deemed tendered for purchase will continue to be registered in the name of the registered owners on the Purchase Date, who will be entitled to the payment of the principal of and interest on such Subseries 2011A-1 Bonds in accordance with their respective terms.

In the event not all of the Outstanding Subseries 2011A-1 Bonds of a maturity are to be purchased, the Subseries 2011A-1 Bonds of such maturity to be purchased will be selected by lot in the same manner as Subseries 2011A-1 Bonds of a maturity to be redeemed in part are to be selected.

Book-Entry-Only System

DTC will act as securities depository for the Series 2011A Bonds. The Series 2011A 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 2011A Bond certificate will be issued for each maturity of the respective Subseries of Series 2011A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National 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”). The DTC Rules applicable to its Direct and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Series 2011A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2011A Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2011A Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2011A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2011A Bonds, except in the event that use of the book-entry system for the Series 2011A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2011A 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 2011A Bonds with DTC and their registration in the name of Cede & Co. or such other nominee effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2011A Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2011A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to Cede & Co. If less than all of the Series 2011A Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2011A Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an omnibus proxy (the “Omnibus Proxy”) to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Series 2011A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption premium, if any, and interest payments on the Series 2011A 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 Direct and Indirect 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 Direct or Indirect Participant and not of DTC, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption

proceeds and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of 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.

The Authority and the Trustee may treat DTC (or its nominee) as the sole and exclusive registered owner of the Series 2011A Bonds registered in its name for the purposes of payment of the principal and redemption premium, if any, of, or interest on, the Series 2011A Bonds, giving any notice permitted or required to be given to registered owners under the Resolution, registering the transfer of the Series 2011A Bonds, or other action to be taken by registered owners and for all other purposes whatsoever. The Authority and the Trustee shall not have any responsibility or obligation to any Direct or Indirect Participant or any person claiming a beneficial ownership interest in the Series 2011A Bonds under or through DTC or any Direct or Indirect Participant, or any other person which is not shown on the registration books of the Authority (kept by the Trustee) as being a registered owner, with respect to the accuracy of any records maintained by DTC or any Direct or Indirect Participant; the payment by DTC or any Direct or Indirect Participant of any amount in respect of the principal, redemption premium, if any, or interest on the Series 2011A Bonds; any notice which is permitted or required to be given to registered owners thereunder or under the conditions to transfers or exchanges adopted by the Authority; or other action taken by DTC as a registered owner.

For every transfer and exchange of beneficial ownership of the Series 2011A Bonds, a Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

DTC may discontinue providing its services as depository with respect to the Series 2011A Bonds at any time by giving notice to the Authority and discharging its responsibilities with respect thereto under applicable law, or the Authority may terminate its participation in the system of book-entry transfer through DTC at any time by giving notice to DTC. In either event, the Authority may retain another securities depository for the Series 2011A Bonds or may direct the Trustee to deliver bond certificates in accordance with instructions from DTC or its successor. If the Authority directs the Trustee to deliver such bond certificates, such Series 2011A Bonds may thereafter be exchanged for an equal aggregate principal amount of Series 2011A Bonds in any other authorized denominations and of the same Subseries and maturity as set forth in the Resolution, upon surrender thereof at the principal corporate trust office of the Trustee, who will then be responsible for maintaining the registration books of the Authority.

Unless otherwise noted, certain of the information contained in the preceding paragraphs of this subsection "Book-Entry Only System" has been extracted from information given by DTC. None of the Authority, the Trustee or 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.

Principal, Sinking Fund Installment and Interest Requirements for the Series 2011A Bonds

The following table sets forth the amounts required to be paid by each of the Series 2011A Participants during each twelve month period ending June 30 of the Bond Years shown for the payment of the interest on the Series 2011A Bonds payable on January 1 of such year and the principal and Sinking Fund Installments of and interest on the Series 2011A Bonds payable on the succeeding July 1 and the aggregate payments to be made by the Series 2011A Participants during each such period with respect to the Series 2011A Bonds.

Total Debt Service by Series 2011A Participant

FY Ending	Lifespire, Inc.		Paul J. Cooper Center for Human Services, Inc.		Wildwood Programs, Inc.	
	Principal & Sinking Fund Installments	Interest	Principal & Sinking Fund Installments	Interest	Principal & Sinking Fund Installments	Interest
6/30/2012	\$115,000	\$51,262	\$110,000	\$34,013	\$25,000	\$15,439
6/30/2013	120,000	56,581	115,000	37,046	30,000	17,221
6/30/2014	125,000	54,261	115,000	34,956	30,000	16,481
6/30/2015	125,000	52,261	115,000	33,116	30,000	16,001
6/30/2016	125,000	50,011	120,000	31,046	30,000	15,461
6/30/2017	130,000	47,386	120,000	28,526	35,000	14,831
6/30/2018	130,000	44,201	120,000	25,586	35,000	13,974
6/30/2019	130,000	40,561	120,000	22,226	35,000	12,994
6/30/2020	130,000	36,466	120,000	18,446	35,000	11,891
6/30/2021	130,000	32,046	120,000	14,366	40,000	10,701
6/30/2022	130,000	27,431	120,000	10,106	40,000	9,281
6/30/2023	130,000	22,069	125,000	5,156	45,000	7,631
6/30/2024	130,000	16,706			45,000	5,775
6/30/2025	135,000	11,344			45,000	3,919
6/30/2026	140,000	5,775			50,000	2,063

PART 4 - THE SERIES 2011A PARTICIPANTS

General

Descriptions of the Series 2011A Participants, their operations and the Series 2011A Facilities they will finance or refinance with the proceeds of the Series 2011A Bonds are set forth in Appendix A hereto. Copies of the most recent audited financial statements for each of the Series 2011A Participants are set forth in Appendix B hereto and copies of recent unaudited financial information for each of the Series 2011A Participants are set forth in Appendix C. Prospective purchasers of the Series 2011A Bonds should carefully review Appendix A, Appendix B and Appendix C.

The Series 2011A Participants are not-for-profit corporations, organized and existing under the laws of the State. All of the Series 2011A Participants have received Section 501(c)(3) designations from the Internal Revenue Service and as such qualify for exemption from certain federal income taxes. Typically, management of each Series 2011A Participant has as an operational goal the acquisition of sufficient revenues to cover programmatic expenses, including debt service and the provision for capital improvements. When revenues exceed expenses, the excess revenues are reflected in a fund balance (or net assets) category and may be used for any lawful purpose consistent with the Series 2011A Participant's charitable purposes. When revenues are not sufficient to cover expenses, the Series 2011A Participant must cover the deficit from fund reserves or other assets or reduce its services and expenses to match its income. Trustees or members of the Board of Directors of a Series 2011A Participant typically serve without remuneration, though expenses associated with attendance at board meetings or other official board functions may be reimbursed.

Each of the Series 2011A Participants owns and/or leases and operates one or more facilities, including the Series 2011A Facilities as described in Appendix A, in the State of New York, to provide services to individuals who are developmentally disabled or have other special needs. Each of the Series 2011A Participants has represented that it has the appropriate licenses and authority to provide its services under State statutes. In addition to the PPAs with OPWDD on the Series 2011A Facilities, the Series 2011A Participants all currently have one or more contracts or approved reimbursement arrangements with one or more departments of the State, The City of New York or a county in the State. Such contracts or arrangements have been typically for a period of one fiscal year. *No independent investigation or verification has been made of the status of compliance with State, city, county or federal agency standards of licensing and operations of the Series 2011A Participants in order to continue to receive payments of State, city, county, and/or federal funds under such contracts or arrangements. The contracts or arrangements provide a substantial portion of the total revenues of each of the Series 2011A Participants. A careful review should be made of Appendix A, Appendix B and Appendix C to this Official Statement to determine the creditworthiness of each of the Series 2011A Participants.* See "PART 5 - SOURCES OF SERIES 2011A PARTICIPANT FUNDING" herein.

The Series 2011A Participants have engaged the Program Facilitator to act as the facilitator for the InterAgency Council Pooled Loan Program. For its services, the Series 2011A Participants will pay the Program Facilitator a fee of .25% of the principal amount of the Series 2011A Bonds at closing and an annual fee of .125% of all outstanding Series 2011A Bonds. Each of the Series 2011A Participants are members of the Program Facilitator.

All of the Series 2011A Facilities financed by the Series 2011A Bonds are covered by PPAs funded by OPWDD. All of the Series 2011A Participants have over 40 years of experience providing services. See "PART 5 - SOURCES OF SERIES 2011A PARTICIPANT FUNDING."

PART 5 - SOURCES OF SERIES 2011A PARTICIPANT FUNDING

OPWDD provides a portion of the revenues of the Series 2011A Participants through contracts and reimbursement arrangements for the provision of their services. The current methodology used by OPWDD in determining the amounts to be paid to the Series 2011A Participants for provision of services is set forth below. Other government funding sources for one or more of the Series 2011A Participants are described in "Appendix A - Description of Series 2011A Participants."

New York State Office for People with Developmental Disabilities

OPWDD meets its statutory mandate almost entirely by contracting with non-profit service provider agencies. Although the community residential program statewide has grown from 9,000 community beds in 1980 to over 37,500 community beds in 2011, the list of known individuals awaiting home placements is approximately 6,000. The scope of the waiting list problem in the metropolitan New York City region is much more severe. Although over half of the people on the waiting list reside in this region, only about 30% of the State's existing community services capacity is in the metropolitan New York City region. In recent years OPWDD has adjusted its community development allocation formula to direct a more appropriate portion of new funds to the area in order to address this imbalance. In August 1998, Governor George Pataki announced a comprehensive 5-year plan to virtually eliminate the waiting list for residential services for people with developmental disabilities in New York State. The plan, called New York State CARES, has added approximately 18,000 new community beds to the community service system. The New York State CARES initiative continues beyond the original five years with annual appropriations of funds for new community service development (including residential, day services and support services). These funds are distributed through a Request for Proposal ("RFP") process, and are targeted to the locally identified priority services and populations. Awards are based upon an agency's demonstrated ability to identify and serve the various priority populations.

OPWDD serves and supports individuals and families of individuals with developmental disabilities. OPWDD works with local governments and non-profit providers to oversee a comprehensive system for delivery of services to people who are developmentally disabled. Both institutional and community-based services are delivered through a network of non-profit providers, nine State developmental centers and numerous State-operated programs based in the community.

OPWDD is charged with developing a comprehensive, cost-effective and integrated system of services to serve the full range of needs of persons with developmental disabilities. OPWDD operates 13 Developmental Disabilities Services Offices which have responsibility for regional administration of community-based programs and, where applicable, institutionally based programs. It also provides residential care and habilitative services to approximately 1,300 consumers in nine institutional settings informally known as developmental centers and specialized units located throughout the State. In addition, OPWDD funds and regulates a State-operated and voluntary-operated community based service program which now provides residential services to more than 37,500 individuals and day services supporting more than 58,000 individuals. Additionally, families who care for nearly 43,000 disabled family members at home are supported by a variety of services, including respite and crisis intervention, which help prevent unnecessary and costly out-of-home placement. These services are made possible by the cooperative efforts of localities, voluntary not-for-profit organizations, and service providers who work with OPWDD to deliver appropriate and cost-effective services to individuals with developmental disabilities.

In connection with the foregoing, OPWDD is responsible for, among other things, the regulation and licensing of the Series 2011A Facilities expected to be financed or refinanced with the proceeds of the Series 2011A Bonds. Such regulation and licensing includes, among other things, participation in the determination as to the need for the Series 2011A Facility, review of plans and specifications for

construction/rehabilitation of the Series 2011A Facility, the right to conduct inspections and program audits, and the establishment of a reimbursement rate for an individual's care.

Population

Consistent with its comprehensive Five Year Plan and the ongoing New York State CARES initiative, OPWDD services a diverse population of individuals with developmental disabilities including persons with mental retardation, cerebral palsy, autism, epilepsy and learning disabilities. OPWDD's programs are characterized by two related service systems: a State-operated institutional system and a community-based system with programs run by both the State and voluntary not-for-profit agencies.

The State-operated institutional system provides residential care and habilitative services to consumers at nine developmental centers and related special population units located throughout the State. The 2010-2011 New York State Budget included funding to allow this system to serve approximately 1,000 individuals in specialized service units during the 2010-2011 fiscal year. Twelve State-operated developmental centers were formally closed between 1987 and 1998; the proposed New York State Executive Budget for 2011-2012 includes plans to close the remainder of the developmental center units over the next few years.

The New York State Budget for 2011-2012 for OPWDD provides an overall spending decrease of 3.6% in Aid to Localities. OPWDD will implement the bulk of these cuts, which are effective July 1, 2011, by targeting the largest accounts, i.e. Supervised IRA (residential program), Day Habilitation and ICF (residential) programs. Specifically, approximately 45% of the total 308 providers that had unexpended direct care, clinical and support staff reimbursements in fiscal year 2008-2009 (the last year for which full cost reports are available) will have the surplus dollars removed from their operating rates. In addition, there will be funding reductions for administration of 39 of the 308 agencies. Additional savings will be accomplished by delaying the plans for the development of certain residential programs, while investing in the development of 2,300 new lower cost residential and day service opportunities.

Population Statistics

The following are actual population statistics for the residential programs for the mentally retarded or the disabled provided by OPWDD (Source: OPWDD):

Year (as of 3/31)	State-Operated Development Centers	Not-for-Profit Community Residences
2003	1,651	35,500
2004	1,600	36,000
2005	1,681*	36,600
2006	1,700	37,000
2007	1,700	37,500
2008	1,593	36,760
2009	1,500	37,500
2010	1,300	37,500

* Increase related to development of specialized units for forensic populations. Specialized units include two Centers for Intensive Treatment Units and Regional Intensive Treatment Units that serve individuals with development disabilities who are committed to OPWDD facilities by the criminal justice system.

The appropriations made for the operations and costs of OPWDD for State Fiscal Years 2004-2005 through 2011-2012 are as follows (Source: OPWDD):

<u>Year</u>	<u>Aid to Localities</u>	<u>State Operations</u>	<u>Total Operations</u>
2004-2005	\$1,546,841,000	\$1,266,096,000	\$2,812,937,000
2005-2006	1,622,384,000	1,356,624,000	2,979,008,000
2006-2007	1,818,919,000	1,454,196,000	3,273,115,000
2007-2008	2,067,751,000	1,465,083,000	3,532,834,000
2008-2009	2,234,383,899	1,976,645,000	4,211,028,899
2009-2010	2,221,012,000	2,171,410,000	4,392,422,000
2010-2011	2,363,796,000	2,263,789,000	4,527,585,000
2011-2012	2,296,901,000	2,150,820,700	4,447,722,200

The PPA Funds received by the Series 2011A Participants from OPWDD are appropriated through Aid to Localities appropriations.

Prior Property Approval Process

Prior to initiating the development of a project to serve developmentally disabled/mentally retarded individuals, a not-for-profit provider is required under Title 14, New York State Codes, Rules and Regulations Part 620 to complete a Certificate of Need (“CON”) process. The CON is reviewed by the OPWDD Developmental Disabilities Services Office for compliance with local government and general State plans for needed development as to type of individuals to be served and the program to be provided.

If CON approval is received and an appropriate program site is identified, a PPA proposal that details the capital costs associated with the development of the site is prepared by the provider and regional Developmental Disabilities Services Office. The PPA process, inaugurated in the early 1980’s, was developed to satisfy the regulatory requirement for OPWDD and New York State Division of the Budget approval of capital costs for program sites. This regulatory requirement is incorporated in Title 14, New York State Codes, Rules and Regulations Parts 635, 681, 686, and 690. The PPA identifies funding and financing sources for capital costs and the level and method of reimbursement for such costs.

Securing PPA approval establishes commitments of the voluntary provider, as well as the OPWDD. The provider commits to develop the program to serve a specific number of individuals in a specific type of facility and program. OPWDD commits to support the development and operation of the project if it is completed in conformance with the PPA, subject to annual appropriation of sufficient moneys by the State Legislature.

Commissioner’s Ability to Request a Receiver for a Facility; Security Interests

Pursuant to the State’s Mental Hygiene Law, facilities, such as the Series 2011A Facilities, are required to have an operating certificate issued by the New York State Mental Health Commissioner (the “Commissioner”). The Commissioner, upon issuing a notice that he or she will revoke or suspend an operating certificate of a facility, or he or she will disapprove an application for a renewal of such certificate, or prior to suspending an operating certificate for up to 60 days, may ask a court to appoint a receiver for the facility in the event that the health, safety and welfare of the residents are in jeopardy. The court shall appoint a receiver, upon making certain findings as described in the Mental Hygiene Law, which should be a voluntary or not-for-profit corporation recommended by the Commissioner and which holds a valid and current operating certificate for a facility similar to the one going into receivership. The Mental Hygiene Law explicitly provides that the receiver so appointed shall honor all existing leases, mortgages and chattel mortgages that had previously been undertaken as obligations of the owners or

operators of the facility. However, such receiver may make application to the appointing court for rescission, reformation or such other relief as may be appropriate with respect to executory covenants or provisions of any contractual obligations of such owners or operators as may be necessary or appropriate to protect the best interests of the persons with developmental disabilities residing within such facility. It further provides that no security interest in any real or personal property comprising the facility, contained within the facility or in any fixture of the facility shall be impaired or diminished in priority by the receiver.

OPWDD Rights With Respect to Series 2011A Facilities

In addition to the statutory receivership remedy described above, each Loan Agreement provides for a contractual remedy upon the failure of a Series 2011A Participant to operate its Series 2011A Facilities in accordance with regulatory standards. Each Series 2011A Participant has covenanted and agreed in its Loan Agreement that in the event that it fails to operate a certified program for the developmentally disabled at one or more of its Series 2011A Facilities in accordance with the valid operating certificate issued by OPWDD for such Series 2011A Facility, in addition to any other legal remedies OPWDD may have, OPWDD shall have the right (after written notice and a request to remedy such failure and without resort to judicial proceedings) to use, possess and occupy such Series 2011A Facility for the remaining term during which such Series 2011A Participant has agreed to operate such certified program at the Series 2011A Facility and, further, may assign such rights to another operator. In such event, OPWDD or any assignee will be required to make the payments owed by the Series 2011A Participant under its Loan Agreement with respect to such Series 2011A Facility as they become due and owing. See “Appendix D - Summary of Certain Provisions of the Loan Agreements” for further details of OPWDD’s rights with respect to the Series 2011A Facilities and the Authority’s remedy upon an event of default by a Series 2011A Participant under its Loan Agreement to request OPWDD to exercise such rights.

PART 6 - ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of proceeds of the Series 2011A Bonds:

Sources of Funds

Principal amount of Subseries 2011A-1 Bonds	\$3,715,000.00
Principal amount of Subseries 2011A-2 Bonds	180,000.00
Original issue discount	(21,281.25)
Total Sources of Funds	<u>\$3,873,718.75</u>

Uses of Funds

Deposit into Series 2011A Debt Service Reserve Fund	\$200,543.00
Deposit into Series 2011A Project Loan Fund	
Project Loans	3,265,377.48
Capitalized Interest (Paul J. Cooper)	58,536.95
Costs of Issuance ⁽¹⁾	241,604.78
Underwriter’s discount	107,656.54
Total Uses of Funds	<u>\$3,873,718.75</u>

⁽¹⁾ Includes State Bond Issuance fee.

PART 7 - 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 June 30, 2011, the Authority had approximately \$44.1 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 June 30, 2011 were as follows:

Public Programs	Bonds Issued	Bonds Outstanding	Notes Outstanding	Bonds and Notes Outstanding
State University of New York				
Dormitory Facilities.....	\$ 2,478,656,000	\$ 1,139,920,000	\$ 0	\$ 1,139,920,000
State University of New York Educational and Athletic Facilities.....	14,369,077,999	6,216,904,624	0	6,216,904,624
Upstate Community Colleges of the State University of New York.....	1,644,630,000	688,210,000	0	688,210,000
Senior Colleges of the City University of New York.....	11,126,291,762	3,891,886,213	0	3,891,886,213
Community Colleges of the City University of New York.....	2,590,993,350	580,673,787	0	580,673,787
BOCES and School Districts.....	3,137,981,208	2,405,655,000	0	2,405,655,000
Judicial Facilities.....	2,161,277,717	676,092,717	0	676,092,717
New York State Departments of Health and Education and Other.....	7,018,125,000	4,777,730,000	0	4,777,730,000
Mental Health Services Facilities.....	8,306,980,000	3,942,415,000	0	3,942,415,000
New York State Taxable Pension Bonds.....	773,475,000	0	0	0
Municipal Health Facilities Improvement Program.....	1,146,845,000	742,580,000	0	742,580,000
Totals Public Programs.....	<u>\$ 54,754,333,036</u>	<u>\$ 25,062,067,341</u>	<u>\$ 0</u>	<u>\$ 25,062,067,341</u>

Non-Public Programs	Bonds Issued	Bonds Outstanding	Notes Outstanding	Bonds and Notes Outstanding
Independent Colleges, Universities and Other Institutions.....	\$ 20,406,784,952	\$ 10,910,736,293	\$ 78,095,000	\$ 10,988,831,293
Voluntary Non-Profit Hospitals.....	14,799,954,309	7,380,355,000	0	7,380,355,000
Facilities for the Aged.....	2,010,975,000	679,535,000	0	679,535,000
Supplemental Higher Education Loan Financing Program.....	95,000,000	0	0	0
Totals Non-Public Programs.....	<u>\$ 37,312,714,261</u>	<u>\$ 18,970,626,293</u>	<u>\$ 78,095,000</u>	<u>\$ 19,048,721,293</u>
Grand Totals Bonds and Notes	<u>\$ 92,067,047,297</u>	<u>\$ 44,032,693,634</u>	<u>\$ 78,095,000</u>	<u>\$ 44,110,788,634</u>

Outstanding Indebtedness of the Agency Assumed by the Authority

At June 30, 2011, the Agency had approximately \$257 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 June 30, 2011 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	\$ 2,480,000
Insured Mortgage Programs.....	6,625,079,927	250,460,000
Revenue Bonds, Secured Loan and Other Programs.....	2,414,240,000	3,965,000
Total Non-Public Programs.....	<u>\$ 9,265,549,927</u>	<u>\$ 256,905,000</u>
Total MCFFA Outstanding Debt.....	<u>\$ 13,082,780,652</u>	<u>\$ 256,905,000</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 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:

ALFONSO L. CARNEY, JR., *Chair*, New York.

Alfonso L. Carney, Jr. was appointed as a Member of the Authority by the Governor on May 20, 2009. Mr. Carney is a principal of Rockwood Partners, LLC, which provides medical and legal

consulting services in New York City. Consulting for the firm in 2005, he served as Acting Chief Operating Officer and Corporate Secretary for the Goldman Sachs Foundation in New York where, working with the President of the Foundation, he directed overall staff management of the foundation, and provided strategic oversight of the administration, communications and legal affairs teams, and developed selected foundation program initiatives. Prior to this, Mr. Carney held several positions with Altria Corporate Services, Inc., most recently as Vice President and Associate General Counsel for Corporate and Government Affairs. Prior to that, Mr. Carney served as Assistant Secretary of Philip Morris Companies Inc. and Corporate Secretary of Philip Morris Management Corp. For eight years, Mr. Carney was Senior International Counsel first for General Foods Corporation and later for Kraft Foods, Inc. and previously served as Trade Regulation Counsel, Assistant Litigation Counsel and Federal Government Relations Counsel for General Foods, where he began his legal career in 1975 as a Division Attorney. Mr. Carney is a trustee of Trinity College, the University of Virginia Law School Foundation, the Riverdale Country School and the Virginia Museum of Fine Arts in Richmond. In addition, he is a trustee of the Burke Rehabilitation Hospital in White Plains. Mr. Carney holds a Bachelors degree in Philosophy from Trinity College and a Juris Doctor degree from the University of Virginia School of Law. His current term expires on March 31, 2013.

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

John B. Johnson, Jr. was appointed as a Member of the Authority by the Governor on June 20, 2007. 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, 2013.

JACQUES JIHA, Ph.D., *Secretary*, Woodbury.

Jacques Jiha was appointed as a Member of the Authority by the Governor on December 15, 2008. Mr. Jiha is the Executive Vice President/Chief Operating Officer & Chief Financial Officer of Earl G. Graves, Ltd/Black Enterprise, a multi-media company with properties in print, digital media, television, events and the internet. He is a member of the Investment Advisory Committee of the New York Common Retirement Fund and a member of the Board of Directors at Ronald McDonald House of New York. Previously, Mr. Jiha served as Deputy Comptroller for Pension Investment and Public Finance in the Office of the New York State Comptroller. As the state's chief investment officer, he managed the assets of the NY Common Retirement Fund, valued at \$120 billion, and was also in charge of all activities related to the issuance of New York State general obligation bonds, bond anticipation notes, tax and revenue anticipation notes, and certificates of participation. Mr. Jiha was the Co-Executive Director of the New York State Local Government Assistance Corporation (LGAC) in charge of the sale of refunding bonds, the ratification of swap agreements, and the selection of financial advisors and underwriters. 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. Earlier, Mr. Jiha 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 expired on March 31, 2011 and by law he continues to serve until a successor shall be chosen and qualified.

CHARLES G. MOERDLER, Esq., New York.

Charles Moerdler was appointed as a Member of the Authority by the Governor on March 16, 2010. Mr. Moerdler is a founding partner in the Litigation Practice of the law firm Stroock & Stroock & Lavan LLP. His areas of practice include defamation, antitrust, securities, real estate, class actions, health care, international law, labor law, administrative law and zoning. By appointment of the Appellate Division, First Department, Mr. Moerdler serves as Vice Chair of the Committee on Character and Fitness and as a Member of the Departmental Disciplinary Committee. He served as Commissioner of Housing and Buildings of the City of New York, as a real estate and development consultant to New York City Mayor John Lindsay, as a member of the City's Air Pollution Control Board, and as Chairman and Commissioner of the New York State Insurance Fund. Mr. Moerdler currently serves on the Board of Directors of the New York City Housing Development Corporation as well as the Metropolitan Transportation Authority and is a member of the New York City Board of Collective Bargaining. He holds a Bachelors of Arts degree from Long Island University and a Juris Doctor degree from Fordham University. His current term expires on March 31, 2012.

BERYL L. SNYDER, J.D., New York

Ms. Snyder was appointed as a member of the Authority by the Governor on June 15, 2011. She is currently a principal in HBJ Investments, LLC, an investment company where her duties include evaluation and analysis of a wide variety of investments in, among other areas: fixed income, equities, alternative investments and early stage companies. Previously, she was Vice President, General Counsel and a Director of Biocraft Laboratories, Inc. and a Director of Teva Pharmaceuticals. Ms. Snyder serves as a Board member of the Beatrice Snyder Foundation, the Roundabout Theater, the Advisory Committee of the Hospital of Joint Diseases and the Optometric Center of New York, where she also serves on the Investment Committee. She holds a Bachelor of Arts degree in History from Vassar College and a Juris Doctor degree from Rutgers University. Her current term expires on August 31, 2013.

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.

GERARD ROMSKI, Esq., Mount Kisco.

Mr. Ronski was appointed as a Member of the Authority by the Temporary President of the State Senate on June 8, 2009. He is Counsel and Project Executive for "Arverne By The Sea," where he is

responsible for advancing and overseeing all facets of “Arverne by the Sea,” one of New York City’s largest mixed-use developments located in Queens, NY. Mr. Ronski is also of counsel to the New York City law firm of Bauman, Katz and Grill LLP. He formerly was a partner in the law firm of Ross & Cohen, LLP (now merged with Duane Morris, LLP) for twelve years, handling all aspects of real estate and construction law for various clients. He previously served as Assistant Division Chief for the New York City Law Department’s Real Estate Litigation Division where he managed all aspects of litigation arising from real property owned by The City of New York. Mr. Ronski is a member of the Urban Land Institute, Council of Development Finance Agencies, the New York State Bar Association, American Bar Association and New York City Bar Association. He previously served as a member of the New York City Congestion Mitigation Commission and the Board of Directors for the Bronx Red Cross. Mr. Ronski holds a Bachelor of Arts degree from the New York Institute of Technology and a Juris Doctor degree from Brooklyn Law School.

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.

JOHN B. KING, JR., J.D., Ed.D., *Commissioner of Education of the State of New York*, Slingerlands; *ex-officio*.

Dr. John B. King, Jr., was appointed by the Board of Regents to serve as President of the University of the State of New York and Commissioner of Education on July 15, 2011. As Commissioner of Education, Dr. King serves as chief executive officer of the State Education Department and as President of the University of the State of New York, which is comprised of public and non-public elementary and secondary schools, public and independent colleges and universities, libraries, museums, broadcasting facilities, historical repositories, proprietary schools and services for children and adults with disabilities. Dr. King is also responsible for licensing, practice and oversight of numerous professions. Dr. King previously served as Senior Deputy Commissioner for P-12 Education at the New York State Education Department. Prior thereto, Dr. King served as a Managing Director with Uncommon Schools. Prior to this, Dr. King was Co-Founder and Co-Director for Curriculum & Instruction of Roxbury Preparatory Charter School and prior to that, Dr. King was a teacher in San Juan, Puerto Rico and Boston, Massachusetts. He holds a Bachelor of Arts degree in Government from Harvard University, a Master of Arts degree in Teaching of Social Studies from Teachers College, Columbia University, a Juris Doctor degree from Yale Law School and a Doctor of Education degree in Educational Administrative Practice from Teachers College, Columbia University.

NIRAV R. SHAH, M.D., M.P.H., *Commissioner of Health*, Albany; *ex-officio*.

Nirav R. Shah, M.D., M.P.H., was appointed Commissioner of Health on January 24, 2011. Prior to his appointment he served as Attending Physician at Bellevue Hospital Center, Associate Investigator at the Geisinger Center for Health Research in central Pennsylvania, and Assistant Professor of Medicine at the NYU Langone Medical Center. Dr. Shah is an expert in use of systems-based methods, a leading researcher in use of large scale clinical laboratories and electronic health records and he has served on the editorial boards of various medical journals. He is a graduate of Harvard College, received his medical

and master of public health degrees from Yale School of Medicine, was a Robert Wood Johnson Clinical Scholar at UCLA and a National Research Service Award Fellow at NYU.

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

Mr. Megna was appointed Budget Director on June 15, 2009. He is responsible for the overall development and management of the State's fiscal policy, including overseeing the preparation of budget recommendations for all State agencies and programs, economic and revenue forecasting, tax policy, fiscal planning, capital financing and management of the State's debt portfolio, as well as pensions and employee benefits. Mr. Megna previously served as Commissioner of the New York State Department of Taxation and Finance, responsible for overseeing the collection and accounting of more than \$90 billion in State and local taxes, the administration of State and local taxes, including New York City and the City of Yonkers income taxes and the processing of tax returns, registrations and associated documents. Prior to this he served as head of the Economic and Revenue Unit of the New York State Division of the Budget where he was responsible for State Budget revenue projections and the development and monitoring of the State Financial Plan. Mr. Megna was Assistant Commissioner for Tax Policy for the Commonwealth of Virginia. He also served as Director of Tax Studies for the New York State Department of Taxation and Finance and as Deputy Director of Fiscal Studies for the Ways and Means Committee of the New York State Assembly. Mr. Megna was also an economist for AT&T. He holds Masters degrees in Public Policy from Fordham University and Economics from the London School of Economics.

The principal staff of the Authority is as follows:

PAUL T. WILLIAMS, JR. is the President and chief executive 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 Vice President of the Authority, and assists the President 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.

PAUL W. KUTEY is the Chief Financial Officer of the Authority. Mr. Kutey oversees and directs the activities of the Office of Finance and Information Services. He is responsible for supervising the Authority's investment program, accounting functions, operation, maintenance and development of computer hardware, software and communications infrastructure; as well as the development and implementation of financial policies, financial management systems and internal controls for financial reporting. Previously, Mr. Kutey was Senior Vice President of Finance and Operations for AYCO Company, L.P., a Goldman Sachs Company, where his responsibilities included finance, operations and facilities management. Prior to joining AYCO Company, he served as Corporate Controller and Acting Chief Financial Officer for First Albany Companies, Inc. From 1982 until 2001, Mr. Kutey held increasingly responsible positions with PricewaterhouseCoopers, LLP, becoming Partner in 1993. He is a Certified Public Accountant and holds a Bachelor of Business Administration degree from Siena College.

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 2011A 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 2011A 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, 2011. Copies of the most recent audited financial statements are available upon request at the offices of the Authority.

PART 8 - LEGALITY OF THE SERIES 2011A BONDS FOR INVESTMENT AND DEPOSIT

Under New York State law, the Series 2011A 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 2011A Bonds may be deposited with the State Comptroller to secure deposits of State moneys in banks, trust companies and industrial banks.

PART 9 - NEGOTIABLE INSTRUMENTS

The Series 2011A Bonds are negotiable instruments as provided in the Act, subject to the provisions for registration and transfer contained in the Resolution, the Series 2011A Resolution and in the Series 2011A Bonds.

PART 10 - TAX MATTERS

Subseries 2011A-1 Bonds

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Authority, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Subseries 2011A-1 Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code, and (ii) interest on the Subseries 2011A-1 Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority, each of the Series 2011A Participants, as applicable, the Program Facilitator, and others, and Bond Counsel has assumed compliance by Authority, and each of the Series 2011A Participants, as applicable, with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Subseries 2011A-1 Bonds from gross income under Section 103 of the Code. In addition, in rendering its opinion, Bond Counsel has relied on the opinion of counsel to the Series 2011A Participants regarding, among other matters, the current qualifications of the Series 2011A Participants as organizations described in Section 501(c)(3) of the Code.

In addition, in the opinion of Bond Counsel, under existing statutes, interest on the Subseries 2011A-1 Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof, including The City of New York.

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Series 2011A-1 Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Subseries 2011A-1 Bonds, or under state and local tax law on the Series 2011A Bonds.

Reference is made to Appendix G hereto for the proposed form of the approving opinion, in substantially final form, expected to be rendered by Hawkins Delafield & Wood LLP, Bond Counsel to the Authority, in connection with the issuance of the Series 2011A Bonds.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Subseries 2011A-1 Bonds in order that interest on the Subseries 2011A-1 Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Subseries 2011A-1 Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate

requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Subseries 2011A-1 Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Authority and the Series 2011A Participants, as applicable, and the Program Facilitator have covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Subseries 2011A-1 Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Subseries 2011A-1 Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Subseries 2011A-1 Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Subseries 2011A-1 Bonds.

Prospective owners of the Subseries 2011A-1 Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the Subseries 2011A-1 Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a Subseries 2011A-1 Bond (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity means the first price at which a substantial amount of the Subseries 2011A-1 Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of Subseries 2011A-1 Bonds is expected to be the initial public offering price set forth on the inside cover page of this Official Statement. Bond Counsel further is of the opinion that, for any Subseries 2011A-1 Bonds having OID (a “Discount Bond”), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the Subseries 2011A-1 Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner’s adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for Federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

Bond Premium

In general, if an owner acquires a Subseries 2011A-1 Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Subseries 2011A-1 Bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that Subseries 2011A-1 Bond (a “Premium Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Subseries 2011A-1 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 if the recipient is one of a limited class of exempt recipients. 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 Subseries 2011A-1 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 Subseries 2011A-1 Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner’s Federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Subseries 2011A-1 Bonds under Federal or state law and could affect the market price or marketability of the Subseries 2011A-1 Bonds.

Prospective purchasers of the Subseries 2011A-1 Bonds should consult their own tax advisors regarding the foregoing matters.

Subseries 2011A-2 Bonds

General

The following discussion is a summary of the principal United States Federal income tax consequences of the acquisition, ownership and disposition of the Subseries 2011A-2 Bonds by original purchasers thereof who are U.S. Holders (as defined below). This summary is based on the Code, Treasury regulations, revenue rulings and court decisions, all as now in effect and all subject to change at any time, possibly with retroactive effect. This summary assumes that the Subseries 2011A-2 Bonds will be held as “capital assets” under the Code, and it does not discuss all of the United States Federal income tax consequences that may be relevant to a holder in light of its particular circumstances or to holders subject to special rules, such as insurance companies, financial institutions, tax-exempt organizations, dealers in securities or foreign currencies, persons holding any Subseries 2011A-2 Bonds as a position in a “hedge” or “straddle” for United States Federal income tax purposes, holders whose functional currency (as defined in Section 985 of the Code) is not the United States dollar, holders who acquire the Subseries 2011A-2 Bonds in the secondary market, or individuals, estates and trusts subject to the tax on unearned income imposed by Section 1411 of the Code. Each prospective purchaser of the Subseries 2011A-2 Bonds should consult with its own tax advisor concerning the United States Federal income tax and other tax consequences to it of the acquisition, ownership and disposition of the Subseries 2011A-2 Bonds as well as any tax consequences that may arise under the laws of any state, local or foreign tax jurisdiction.

As used herein, the term “U.S. Holder” means a beneficial owner of a Subseries 2011A-2 Bond that is for United States Federal income tax purposes (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof, (iii) an estate the income of which is subject to United States Federal income taxation regardless of its source or (iv) a trust whose administration is subject to the primary jurisdiction of a United States court and which has one or more United States fiduciaries who have the authority to control all substantial decisions of the trust.

U.S. Holders – Interest Income

In the opinion of Bond Counsel, under existing statutes, interest and original issue discount (as defined below) on the Subseries 2011A-2 Bonds (i) are included in gross income for United States Federal income tax purposes and (ii) are exempt from personal income taxes imposed by the State of New York or any political subdivision thereof, including The City of New York.

Original Issue Discount

For United States Federal income tax purposes, a Subseries 2011A-2 Bond will be treated as issued with original issue discount (“OID”) if the excess of a Subseries 2011A-2 Bond’s “stated redemption price at maturity” over its “issue price” equals or exceeds a statutorily determined *de minimis* amount. The “issue price” of each Subseries 2011A-2 Bond in a particular issue equals the first price at which a substantial amount of such issue is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The “stated redemption price at maturity” of a Subseries 2011A-2 Bond is the sum of all payments provided by such Subseries 2011A-2 Bond other than “qualified stated interest” payments. The term “qualified stated interest” generally means stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate. In general, if the excess of a Subseries 2011A-2 Bond’s stated redemption price at maturity over its issue price is less than 0.25

percent of the Subseries 2011A-2 Bond's stated redemption price at maturity multiplied by the number of complete years to its maturity (the "*de minimis* amount"), then such excess, if any, constitutes *de minimis* OID, and the Subseries 2011A-2 Bond is not treated as being issued with OID and all payments of stated interest (including stated interest that would otherwise be characterized as OID) is treated as qualified stated interest, as described below.

Payments of qualified stated interest on a Subseries 2011A-2 Bond are taxable to a U.S. Holder as ordinary interest income at the time such payments are accrued or are received in accordance with the U.S. Holder's regular method of tax accounting. A U.S. Holder of a Subseries 2011A-2 Bond having a maturity of more than one year from its date of issue generally must include OID in income as ordinary interest as it accrues on a constant-yield method in advance of receipt of the cash payments attributable to such income, regardless of such U.S. Holder's regular method of tax accounting. The amount of OID included in income by the U.S. Holder of a Subseries 2011A-2 Bond is the sum of the daily portions of OID with respect to such Subseries 2011A-2 Bond for each day during the taxable year (or portion of the taxable year) on which such U.S. Holder held such Subseries 2011A-2 Bond. The daily portion of OID on any Subseries 2011A-2 Bond is determined by allocating to each day in any "accrual period" a ratable portion of the OID allocable to the accrual period. All accrual periods with respect to a Subseries 2011A-2 Bond may be of any length and the accrual periods may vary in length over the term of the Subseries 2011A-2 Bond, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs either on the first or final day of an accrual period. The amount of OID allocable to an accrual period is generally equal to the difference between (i) the product of the Subseries 2011A-2 Bond's "adjusted issue price" at the beginning of such accrual period and such Subseries 2011A-2 Bond's yield to maturity (determined on the basis of compounding at the close of each accrual period and appropriately adjusted to take into account the length of the particular accrual period) and (ii) the amount of any qualified stated interest payments allocable to such accrual period. The "adjusted issue price" of a Subseries 2011A-2 Bond at the beginning of any accrual period is the issue price of the Subseries 2011A-2 Bond plus the amount of accrued OID includable in income for all prior accrual periods minus the amount of any prior payments on the Subseries 2011A-2 Bond other than qualified stated interest payments. The amount of OID allocable to an initial short accrual period may be computed using any reasonable method if all other accrual periods other than a final short accrual period are of equal length. The amount of OID allocable to the final accrual period is the difference between (i) the amount payable at the maturity of the Subseries 2011A-2 Bond (other than a payment of qualified stated interest) and (ii) the Subseries 2011A-2 Bond's adjusted issue price as of the beginning of the final accrual period. Under the OID rules, U.S. Holders generally will have to include in income increasingly greater amounts of OID in successive accrual periods.

A U.S. Holder may elect to include in gross income all interest that accrues on a Subseries 2011A-2 Bond using the constant-yield method described above under the heading "Original Issue Discount," with the modifications described below. For purposes of this election, interest includes, among other things, stated interest, OID and *de minimis* OID, as adjusted by any amortizable bond premium described below under the heading "Bond Premium." In applying the constant-yield method to a Subseries 2011A-2 Bond with respect to which this election has been made, the issue price of the Subseries 2011A-2 Bond will equal its cost to the electing U.S. Holder, the issue date of the Subseries 2011A-2 Bond will be the date of its acquisition by the electing U.S. Holder, and no payments on the Subseries 2011A-2 Bond will be treated as payments of qualified stated interest. The election will generally apply only to the Subseries 2011A-2 Bond with respect to which it is made and may not be revoked without the consent of the Internal Revenue Service. If this election is made with respect to a Subseries 2011A-2 Bond with amortizable bond premium, then the electing U.S. Holder will be deemed to have elected to apply amortizable bond premium against interest with respect to all debt instruments with amortizable bond premium (other than debt instruments the interest on which is excludable from gross income) held by the electing U.S. Holder as of the beginning of the taxable year in which the Subseries 2011A-2 Bond with respect to which the election is made is acquired or thereafter acquired.

The deemed election with respect to amortizable bond premium may not be revoked without the consent of the Internal Revenue Service.

U.S. Holders of any Subseries 2011A-2 Bonds issued with OID should consult their own tax advisors with respect to the treatment of OID for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, and disposition of Subseries 2011A-2 Bonds.

Bond Premium

In general, if a U.S. Holder acquires a Subseries 2011A-2 Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Subseries 2011A-2 Bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that Subseries 2011A-2 Bond (a “Taxable Premium Bond”). In general, if a U.S. Holder of a Taxable Premium Bond elects to amortize the premium as “amortizable bond premium” over the remaining term of the Taxable Premium Bond, determined based on constant yield principles (in certain cases involving a Taxable Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the highest yield on such bond), the amortizable premium is treated as an offset to interest income; the U.S. Holder will make a corresponding adjustment to such holder’s basis in the Taxable Premium Bond. Any such election applies to all debt instruments of the U.S. Holder (other than tax-exempt bonds) held at the beginning of the first taxable year to which the election applies and to all such debt instruments thereafter acquired, and is irrevocable without the Internal Revenue Service’s consent. A U.S. Holder of a Taxable Premium Bond that so elects to amortize bond premium does so by offsetting the qualified stated interest allocable to each interest accrual period under the U.S. Holder’s regular method of Federal tax accounting against the bond premium allocable to that period. If the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is treated as a bond premium deduction under Section 171(a)(1) of the Code, subject to certain limitations. If a Taxable Premium Bond is optionally callable before maturity at a price in excess of its stated redemption price at maturity, special rules may apply with respect to the amortization of bond premium. Under certain circumstances, the U.S. Holder of a Taxable Premium Bond may realize a taxable gain upon disposition of the Taxable Premium Bond even though it is sold or redeemed for an amount less than or equal to the U.S. Holder’s original acquisition cost.

U.S. Holders of any Taxable Premium Bonds should consult their own tax advisors with respect to the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, and disposition of Taxable Premium Bonds.

U.S. Holders – Disposition of Subseries 2011A-2 Bonds

Except as discussed above, upon the sale, exchange, redemption, or other disposition (which would include a legal defeasance) of a Subseries 2011A-2 Bond, a U.S. Holder generally will recognize taxable gain or loss in an amount equal to the difference between the amount realized (other than amounts attributable to accrued interest not previously includable in income) and such U.S. Holder’s adjusted tax basis in the Subseries 2011A-2 Bond. A U.S. Holder’s adjusted tax basis in a Subseries 2011A-2 Bond generally will equal such U.S. Holder’s initial investment in the Subseries 2011A-2 Bond, increased by any OID included in the U.S. Holder’s income with respect to the Subseries 2011A-2 Bond and decreased by the amount of any payments, other than qualified stated interest payments, received and bond premium amortized with respect to such Subseries 2011A-2 Bond. Such gain or loss generally will be long-term capital gain or loss if the Subseries 2011A-2 Bond was held for more than one year.

U.S. Holders – Defeasance

U.S. Holders of the Subseries 2011A-2 Bonds should be aware that, for Federal income tax purposes, the deposit of moneys or securities in escrow in such amount and manner as to cause the Subseries 2011A-2 Bonds to be deemed to be no longer outstanding under the Resolution (a “defeasance”), could result in a deemed exchange under Section 1001 of the Code and a recognition by such owner of taxable income or loss, without any corresponding receipt of moneys. In addition, for Federal income tax purposes, the character and timing of receipt of payments on the Subseries 2011A-2 Bonds subsequent to any such defeasance could also be affected. U.S. Holders of the Subseries 2011A-2 Bonds are advised to consult with their own tax advisors regarding the consequences of a defeasance for Federal income tax purposes, and for state and local tax purposes.

U.S. Holders – Backup Withholding and Information Reporting

In general, information reporting requirements will apply to non-corporate U.S. Holders with respect to payments of principal, payments of interest, and the accrual of OID on a Subseries 2011A-2 Bond and the proceeds of the sale of a Subseries 2011A-2 Bond before maturity within the United States. Backup withholding at a rate of 28% for the years 2003-2010 and at a rate of 31% for the year 2011 and thereafter, will apply to such payments and to payments of OID unless the U.S. Holder (i) is a corporation or other exempt recipient and, when required, demonstrates that fact, or (ii) provides a correct taxpayer identification number, certifies under penalties of perjury, when required, that such U.S. Holder is not subject to backup withholding and has not been notified by the Internal Revenue Service that it has failed to report all interest and dividends required to be shown on its United States Federal income tax returns.

Any amounts withheld under the backup withholding rules from a payment to a beneficial owner, and which constitutes over-withholding, would be allowed as a refund or a credit against such beneficial owner’s United States Federal income tax provided the required information is furnished to the Internal Revenue Service.

IRS Circular 230 Disclosure

The advice under the caption “Subseries 2011A-2” concerning certain income tax consequences of the acquisition, ownership and disposition of the Subseries 2011A-2 Bonds, was written to support the marketing of the Subseries 2011A-2 Bonds. To ensure compliance with requirements imposed by the Internal Revenue Service, each prospective purchaser of the Subseries 2011A-2 Bonds is advised that (i) any Federal tax advice contained in this Official Statement (including any attachments) or in writings furnished by Bond Counsel to the Authority is not intended to be used, and cannot be used by any bondholder, for the purpose of avoiding penalties that may be imposed on the bondholder under the Code, and (ii) the bondholder should seek advice based on the bondholder’s particular circumstances from an independent tax advisor.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Subseries 2011A-2 Bonds under state law and could affect the market price or marketability of the Subseries 2011A-2 Bonds.

Prospective purchasers of the Subseries 2011A-2 Bonds should consult their own tax advisors regarding the foregoing matters.

See “Appendix G – Form of Approving Opinion of Bond Counsel.”

PART 11 - BONDHOLDERS' RISKS

General

The Series 2011A Bonds involve a certain degree of risk. Prospective investors in the Series 2011A Bonds should review all of the information in this Official Statement and information pertaining to the Series 2011A Participants incorporated herein by reference carefully prior to purchasing any of the Series 2011A Bonds. This Official Statement contains only summaries of the Resolution, the Series 2011A Resolution, the Loan Agreements and the related documents. Prospective investors are urged to read such documents in their entirety prior to investing in the Series 2011A Bonds. Copies of such documents may be obtained from the Underwriter prior to the issuance of the Series 2011A Bonds. In addition, prospective investors should carefully review Appendix A for a discussion of the financial condition and results of operations of the Series 2011A Participants, Appendix B for copies of the audited financial statements of the Series 2011A Participants and Appendix C for copies of recent unaudited financial information for each of the Series 2011A Participants.

Set forth below are certain risk factors, among others, that could adversely affect a Series 2011A Participant's operation and revenues and expenses of its Series 2011A Facilities to an extent which cannot be determined at this time. Such risk factors should be considered before any investment in the Series 2011A Bonds is made. These risk factors should not be considered definitive or exhaustive.

Special, Limited Obligations of Authority

The Series 2011A Bonds are special, limited obligations of the Authority payable solely from revenues to be received by the Authority from the Series 2011A Participants under the Loan Agreements and from amounts held in the funds established pursuant to the Resolutions (other than the Arbitrage Rebate Fund). The Series 2011A Bonds will not be a debt of the State nor will the State be liable thereon. The Authority has no taxing power.

Several Obligations of Series 2011A Participants

The obligations of each Series 2011A Participant under its Loan Agreement are independent of the obligations of the other Series 2011A Participants under their Loan Agreements. A failure by a Series 2011A Participant to timely pay its obligations under its Loan Agreement might result in an event of default under the Resolutions with respect to such Series 2011A Participant's Allocable Portion of the Series 2011A Bonds. Upon the happening and continuance of an event of default affecting only a Defaulted Allocable Portion of the Series 2011A Bonds, payment on such Defaulted Allocable Portion of Series 2011A Bonds will be limited to amounts received from or payable by or on behalf of such Series 2011A Participant and amounts derived upon the realization of any security or collateral granted by such defaulting Series 2011A Participant. Holders of a Defaulted Allocable Portion of the Series 2011A Bonds will have no right to any other Revenues or any other funds held by the Trustee under the Resolution derived from payments made by or on behalf of any other Series 2011A Participant for the payment of the Series 2011A Bonds or any other security pledged by such other non-defaulting Series 2011A Participants as security for their loans. See "PART 1 - INTRODUCTION - Limitations on Payment and Security Upon the Occurrence of Certain Events of Default," "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2011A BONDS - Events of Default - Special Provisions Relating to Defaults Affecting Only an Allocable Portion of the Series 2011A Bonds," "PART 3 - THE SERIES 2011A BONDS - Redemption Provisions" and "Appendix F - Summary of Certain Provisions of the Resolutions."

Reliance on Credit of the Series 2011A Participants

The Series 2011A Bonds are being issued without credit enhancement in the form of a letter of credit, bond insurance or any other form. While the amounts payable to the Series 2011A Participants pursuant to their respective PPAs are calculated in a manner so as to provide moneys equal to debt service on their respective loans, there can be no assurance that the funds received by a particular Series 2011A Participant pursuant to its PPA or PPAs (or by the Authority or Trustee upon the intercept of such PPA Funds) will be sufficient for the repayment of such Series 2011A Participant's Allocable Portion of the Series 2011A Bonds (whether because of non-appropriation of funds by the State, failure of a Series 2011A Participant to operate its Series 2011A Facility or Facilities in accordance with operational standards or otherwise). Moreover, the payment obligations of the Series 2011A Participants are several, not joint. The Holders of the Series 2011A Bonds must therefore rely upon the credit of each Series 2011A Participant for the repayment of the Series 2011A Bonds (and not the credit of the Authority, the Trustee, the Underwriter, the State or any other municipality of the State) for all payments due to them under the Series 2011A Bonds. See "PART 1 - INTRODUCTION - Additional Security - Pledged Revenues and The Standby Intercept," "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2011A BONDS - Security for the Series 2011A Bonds," and "PART 5 - SOURCES OF SERIES 2011A PARTICIPANT FUNDING - New York State Office for People with Developmental Disabilities."

Revenues of Series 2011A Participants

Future revenues of each Series 2011A Participant are dependent upon, among other things, legislative appropriations, State policy, the outcome of current and potential litigation and other conditions that are unpredictable, some of which are discussed below. The ability to pay principal of and interest on the Series 2011A Bonds depends upon the receipt by the Trustee of the Loan Repayments under the Loan Agreements. A number of risks that could affect the Series 2011A Participants' ability to pay such amounts are failure of (i) the State, various county and city legislature to approve sufficient appropriations for the purchase of services from the Series 2011A Participants; (ii) the State, various county and city departments to make timely payments to the Series 2011A Participants of appropriated amounts caused by revenue short falls or other State and local fiscal considerations; (iii) the Series 2011A Participants to fulfill their obligations which entitle them to receive payments; (iv) the Series 2011A Participants to receive the appropriate certifications from the required licensing or certifying entity(ies) to provide services as required; and/or (v) the Series 2011A Participants to obtain the renewal of their contracts. In addition, a Series 2011A Participant's license and/or certification may be revoked for failure to comply with standards of operation applicable to the Series 2011A Participant. The Loan Repayment obligation of a Series 2011A Participant may be accelerated in the event of such Series 2011A Participant's default. In the event a Series 2011A Participant's Loan Repayment obligation is accelerated due to a default, the Series 2011A Participant's Allocable Portion of the Series 2011A Bonds may likewise be accelerated. See "PART 1 - INTRODUCTION - Limitations on Payment and Security Upon the Occurrence of Certain Events of Default" and "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2011A BONDS - Events of Default - Special Provisions Relating to Defaults Affecting Only an Allocable Portion of the Series 2011A Bonds."

Payment Defaults May Affect More Than One Series of Bonds Issued Under the Resolution

Upon the issuance of any other Series of Bonds for the benefit of one or more of the Series 2011A Participants, the applicable Series 2011A Participant and the Authority shall enter into separate loan agreements. The Series 2011A Bonds are separately secured from all other Series of Bonds and the Holders of any Series of Bonds other than the Series 2011A Bonds are not entitled to the rights, benefits and security conferred upon the Holders of the Series 2011A Bonds. While an event of default with respect to another Series of Bonds will not necessarily result in an event of default with respect to the

Series 2011A Bonds, an event of default by a Series 2011A Participant under a loan agreement entered into in connection with the issuance of another Series of Bonds will result in an “Event of Default” under such Series 2011A Participant’s Loan Agreement. See “PART 1 - INTRODUCTION - Authorization of Issuance” and “- Security for the Series 2011A Bonds” and “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2011A BONDS.”

Enforceability of Remedies; Effect of Bankruptcy of a Series 2011A Participant

The Series 2011A Bonds are payable from the sources and are secured as described in this Official Statement. The practical realization of value from the collateral for the Series 2011A Bonds described herein upon any default will depend upon the exercise of various remedies specified by the Resolutions, the respective Loan Agreements and the respective Mortgages. 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 Resolutions, the Loan Agreements and the Mortgages 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 opinions to be delivered concurrently with the delivery of the Series 2011A Bonds will be qualified as to the 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.

The rights and remedies of the Holders of the Series 2011A Bonds are subject to various provisions of Title 11 of the United States Code (the “Bankruptcy Code”). If a Series 2011A Participant were to file a petition for relief under the Bankruptcy Code, the filing would automatically stay the commencement or continuation of any judicial or other proceedings against such Series 2011A Participant and its property, including the commencement of foreclosure proceedings under its Mortgage, if applicable. Such Series 2011A Participant would not be permitted or required to make payments of principal or interest under its Loan Agreement, unless an order of the United States Bankruptcy Court were issued for such purpose. In addition, without an order of the United States Bankruptcy Court, the automatic stay may serve to prevent the Authority from intercepting the Series 2011A Participant’s PPA Funds pursuant to the applicable Intercept Agreement or the Trustee from applying amounts on deposit in the accounts established with respect to such Series 2011A Participant under the Resolutions from being applied in accordance with the provisions of the Resolutions and the application of such amounts to the payment of principal of, and interest on, such Series 2011A Participant’s Allocable Portion of the Series 2011A Bonds. Moreover, any motion for an order canceling the automatic stay and permitting such intercept or accounts to be applied in accordance with the provisions of the Resolutions would be subject to the discretion of the United States Bankruptcy Court, and may be subject to objection and/or comment by other creditors of such Series 2011A Participant, which could affect the likelihood or timing of obtaining such relief. In addition, if the Mortgage of such defaulting Series 2011A Participant is assigned by the Authority to the Trustee as described herein and the value of the related Mortgaged Property is less than the principal amount of such Series 2011A Participant’s total Loan Repayment obligation at the time of a bankruptcy proceeding, the security interest of the Trustee in such property is subject to the claims of creditors that the mortgaged indebtedness in excess of the fair market value of the Mortgaged Property is unsecured and, therefore, to the extent of such excess is not entitled to a secured priority position in the administration of the bankruptcy estate.

The Series 2011A Participant could file a plan for the adjustment of its debts in a proceeding under the Bankruptcy Code, which plan could include provisions modifying or altering the rights of creditors generally, or any class of them, whether secured or unsecured. The plan, when confirmed by the United States Bankruptcy Court, would bind all creditors who have notice or knowledge of the plan and would discharge all claims against such Series 2011A Participant provided for in the plan. No plan may

be confirmed unless certain conditions are met, among which are that the plan is in the best interests of creditors, is feasible and has been accepted by each class of claims impaired thereunder. Each class of claims has accepted the plan if at least two-thirds in dollar amount and more than one-half in number of the allowed claims of the class that are voted with respect to the plan are cast in its favor. Even if the plan is not so accepted, it may be confirmed if the court finds that the plan is fair and equitable with respect to each class of non-accepting creditors impaired thereunder and does not discriminate unfairly.

Mortgages

Mortgages Not Currently Security for Series 2011A Bonds

The Mortgages do not presently provide any security for the Series 2011A Bonds. However, under certain circumstances described herein, one or more of the Mortgages may be assigned to the Trustee. See “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2011A BONDS - Security for the Series 2011A Bonds - Mortgages.”

Pledge of Property Under Mortgages

The security interest in the Mortgaged Property granted under a Mortgage may be affected by various matters, including, (i) rights arising in favor of the United States of America or any agency thereof, (ii) present or future prohibitions against assignment in any applicable federal or state statutes or regulations, (iii) constructive trusts, equitable liens or other rights imposed or conferred by any state or federal court in the exercise of its equitable jurisdiction and rights of donors of property, (iv) claims that might obtain priority if continuation statements are not filed in accordance with applicable laws, (v) the rights of holders of prior perfected security interests in equipment and other goods owned by a Series 2011A Participant and included in the Mortgaged Property and the proceeds of sale of such property, (vi) statutory liens and other liens arising as a matter of law, (vii) the rights of parties secured by other liens or encumbrances permitted by the applicable Loan Agreements or the applicable Mortgages, and (viii) claims by creditors that the mortgaged indebtedness in excess of the fair market value of the Mortgaged Property is unsecured to the extent of such excess.

Insufficiency of Mortgage Foreclosure Proceeds; Environmental Impairment of Property

One of the options under each Series 2011A Participant’s Loan Agreement, and one of the options under the Resolution, is to institute proceedings to enforce the lien on and sell the Series 2011A Participant’s Mortgaged Property in the event of a default under its Loan Agreement, its Mortgage(s) or the Resolutions. However, due to the limited uses for which a Series 2011A Participant’s Mortgaged Property may be utilized, none of the Authority, the Program Facilitator, the Trustee, the applicable Series 2011A Participant, or the Underwriter makes any assurances or representations that a sale of a Series 2011A Participant’s Mortgaged Property or, if such Mortgaged Property is sold, that the proceeds received upon a foreclosure or other sale, along with all moneys on deposit in the various funds of such Series 2011A Participant established under the Resolution, will be sufficient to pay in full the principal of, or interest on, the Allocable Portion of the Series 2011A Bonds attributable to such defaulting Series 2011A Participant.

In exercising the rights of foreclosure under a Mortgage, the Authority or the Trustee, as the case may be, in accordance with current commercial lending practices, may perform a Phase I Environmental Audit to determine the presence or likely presence of a release or a substantial threat of a release of any hazardous materials at, on, to, or from the Mortgaged Property. If the audit indicated the existence of hazardous materials with respect to the Mortgaged Property, the Trustee or the Authority, as applicable, may conclude that it is not in the best interests of the Bondholders to foreclose on such property due to liability for removal of hazardous materials. In such an event, the Trustee or the Authority may decline to

exercise foreclosure rights with respect to Mortgaged Property under a Mortgage without specific instructions from Bondholders and receipt of funds, security and/or indemnity from the Bondholders reasonably satisfactory to such party to pay the costs, expenses, and liabilities which might be incurred by its compliance with such instructions. Consequently, the existence, post-acquisition, of hazardous materials with respect to any Mortgaged Property could severely limit the ability, due to the economic liability associated with removal of such materials, to foreclose on such property and/or obtain the market value for such property in security for the Series 2011A Bonds that would otherwise have been available absent the existence of such hazardous materials.

Another option under a Series 2011A Participant's Loan Agreement is to institute proceedings to enforce the lien on and sell the Series 2011A Participant's Equipment (as defined in each Mortgage) in the event of a default under its Loan Agreement, its Mortgage(s) or the Resolutions. However, due to the limited uses for which a Series 2011A Participant's Equipment may be utilized, none of the Authority, the Program Facilitator, the Trustee, the applicable Series 2011A Participant, or the Underwriter makes any assurances or representations that the Authority or the Trustee will be able to sell a Series 2011A Participant's Equipment or, if such Equipment is sold, that the proceeds received upon a sale, along with all moneys on deposit in the various funds of the Series 2011A Participant established under the Resolution, would be sufficient to pay in full the principal of, or interest on, the Series 2011A Bonds attributable to such defaulting Series 2011A Participant.

No Approval by New York State Supreme Court

Section 510 of the New York Not-For-Profit Corporation Law ("NFPCL") requires New York State Supreme Court approval of any "sale, lease, exchange or other disposition" of "all, or substantially all, the assets" of a not-for-profit corporation such as the Series 2011A Participants. Such approval was not sought in connection with the execution, delivery and performance by the Series 2011A Participants of the Mortgages or the pledges of assets and revenues that are contemplated by the Resolution and the Loan Agreements. It is the opinion of counsel to the Series 2011A Participants that such actions do not require approval pursuant to NFPCL §510. However, absent court decisions definitively resolving this issue, it cannot be ruled out that a defendant in a foreclosure action may raise as an affirmative defense the failure to obtain NFPCL §510 court approval.

Right of Reacquisition of the 3916 Kings Highway Facility

Lifespire, Inc. ("Lifespire") acquired title to the Series 2011A Facility located at 3916 Kings Highway, Brooklyn, New York (the "3916 Kings Highway Facility"), from the State of New York, acting by and through the Authority and OPWDD (the "Seller") for \$1.00 on February 2, 2004. The deed pursuant to which Lifespire acquired title to the 3916 Kings Highway Facility contained a right of reacquisition by the Seller in the event that Lifespire, its successors and assigns fail to utilize the 3916 Kings Highway Facility as authorized not-for-profit community mental hygiene services facilities for persons with mental retardation and developmental disabilities or, in the event that there is no longer a need for community mental hygiene services for persons with mental retardation and development disabilities, another legally authorized not-for-profit mental hygiene program purpose. Lifespire has requested the Seller to enter into a subordination agreement in order to subordinate its right of reacquisition to the lien granted by Lifespire's Mortgage on the 3916 Kings Highway Facility. There is no guarantee that Lifespire will be able to obtain such subordination agreement from the Seller or that Lifespire's title to the 3916 Kings Highway Facility will not continue to be subject to the right of reacquisition.

Release of Series 2011A Facilities from Lien of Mortgages

Each Loan Agreement, each Mortgage and the Resolution provide a Series 2011A Participant the ability to prepay a portion of its loan attributable to a Series 2011A Facility and, upon the redemption or defeasance of the related Series 2011A Bonds to have such Series 2011A Facility released from the lien of the applicable Mortgage. There is no assurance that the security, if any, provided by the remaining Series 2011A Facilities subject to the lien of such Mortgage will be sufficient to pay the then outstanding principal and interest (or other amounts due) with respect to such Series 2011A Participant's Allocable Portion of the Series 2011A Bonds. In such event none of the Authority, the Trustee, the Program Facilitator or any Bondholder will have any recourse to, claim against or right of contribution from any other Series 2011A Participant.

In view of the foregoing, investors should rely on their own examination of the creditworthiness and financial condition of each of the Series 2011A Participants and the terms of this offering, including, without limitation, the merits and risks involved and the uncertainties associated with the possible limitations or inability to enforce the remedies set forth in the Mortgages, in the event that the Mortgages are assigned to the Trustee by the Authority.

Non-Appropriation of State, County and City Departments' Funds

The Series 2011A Participants are subject to Federal, State and local actions, including, among others, actions by the various State, county and city departments. The Series 2011A Bonds are payable from operating revenues of the Series 2011A Participants, which depend in large measure upon the appropriations of the State for the funds of the various State, county and city departments that have contracts with the Series 2011A Participants. HOWEVER, THE OBLIGATION OF THE VARIOUS STATE, COUNTY AND CITY DEPARTMENTS TO RENEW SUCH CONTRACTS IS SUBJECT TO ANNUAL REEVALUATION BY THE DEPARTMENT OBTAINING THE CONTRACT AS PART OF ITS ANNUAL BUDGET APPROPRIATION PROCESS. EACH YEAR THE STATE LEGISLATURE, WHICH HAS THE RESPONSIBILITY OF APPROPRIATING AND ALLOCATING STATE RESOURCES AMONG THE STATE'S VARIOUS DEPARTMENTS, HAS THE RIGHT, IN ITS SOLE DISCRETION, EITHER (I) TO APPROPRIATE SUFFICIENT FUNDS, FROM WHATEVER SOURCE, TO FUND IN WHOLE OR IN PART THE VARIOUS DEPARTMENTS' BUDGETS FROM WHICH THE CONTRACTS PROCURED FOR THE NEXT FISCAL YEAR ARE TO BE PAID, OR (II) TO APPROPRIATE INSUFFICIENT FUNDS TO MAKE SUCH PAYMENTS OR (III) NOT TO APPROPRIATE ANY FUNDS FOR THE VARIOUS DEPARTMENTS' BUDGETS FROM WHICH CONTRACTS ARE TO BE PROCURED AND PAID.

In particular, the ability of the State, county, and city departments to disburse Medicaid reimbursements, and other State, county and city departments to fund contracts of the Series 2011A Participants, is limited in part by the amount of revenues collected, as well as the amount of appropriations authorized, by the State for such fiscal year. Failure of the State to receive sufficient revenues to fund appropriations for such fiscal year and/or the failure of the Series 2011A Participants to generate sufficient revenues from other sources (or have access to sufficient fund balances) to make the scheduled Loan Repayments that are to be used by the Trustee to repay the applicable Series 2011A Bonds, will materially adversely affect a Series 2011A Participant's ability to make its Loan Repayments and, consequently, the repayment of the Series 2011A Bonds attributable to such Series 2011A Participant.

Federal Medicaid Reform

A majority of PPA Funds are received from Medicaid. Future Medicaid reform may materially adversely affect the PPA Funds received by the Series 2011A Participants.

Completion of the Projects; Zoning; Certificate of Occupancy

The acquisition, renovation and furnishing, as applicable, of all of the Series 2011A Facilities are complete. All of the Series 2011A Facilities with the exception of Wildwood Programs, Inc.'s Series 2011A Facility located at 848 Best Road, West Sand Lake, New York, have their respective Certificates of Occupancy and/or Letters of Completion. Wildwood Program, Inc. expects to receive the Certificate of Occupancy for its Series 2011A Facility located at 848 Best Road, West Sand Lake, New York by September 1, 2011. Each Series 2011A Facility may require special use permits or compliance or other zoning approval (each, a "Certificate") from the applicable municipality. Failure of a Series 2011A Participant to obtain an appropriate Certificate where the same is required could materially adversely affect the financial position of such Series 2011A Participant. Moreover, the failure of a Series 2011A Participant's Series 2011A Facility to receive a Certificate when required could materially adversely impact either the Series 2011A Participant's, the Trustee's or another party's right to use or occupy the Series 2011A Facility, before or after the exercise of default remedies.

In addition, with the exception of Wildwood Programs, Inc.'s Series 2011A Facility located at 848 Best Road, West Sand Lake, New York, Operating Certificates have been issued by OPWDD for all of the Series 2011A Facilities, which permit the Series 2011A Participants to operate such Series 2011A Facilities. Wildwood Program, Inc. expects to receive the Operating Certificate for its Series 2011A Facility located at 848 Best Road, West Sand Lake, New York by September 1, 2011.

Additional Indebtedness

Under its Loan Agreement, each Series 2011A Participant has the ability to incur additional debt. An event of default by a Series 2011A Participant under a loan agreement entered into in connection with the issuance of another Series of Bonds will result in an "Event of Default" under such Series 2011A Participant's Loan Agreement. See "Appendix E - Summary of Certain Provisions of the Loan Agreements."

Grant of Additional Security Interests

A Series 2011A Participant may grant security interests in its Accounts Receivable (which excludes PPA Funds), and the proceeds thereof, in favor of banks or other financial institutions in order to secure a line of credit for working capital purposes, whether by entering into a new credit facility or amending, modifying or extending an existing credit facility. The incurrence of such indebtedness and the granting of such security interests could materially adversely affect the financial position of a Series 2011A Participant and its ability to satisfy its Loan Repayment obligations.

A Series 2011A Participant may also grant a subordinate mortgage as security for bonds issued by the Authority after the date of issuance of the Series 2011A Bonds, in an amount up to the amount approved by OPWDD pursuant to the PPA process, for the purpose of financing the cost of renovating, constructing, equipping or completing a Series 2011A Facility, and any loan agreement, or amendment to the applicable Loan Agreement, between the Authority and such Series 2011A Participant, in each case in connection with such financing.

Effect of Changes in Tax-Exempt Status; Continued Legal Requirements of Tax-Exempt Status

As an entity qualified under Section 501(c)(3) of the Code, each Series 2011A Participant is subject to various requirements affecting its operation. The failure of a Series 2011A Participant to maintain its tax-exempt status may affect the Series 2011A Participant's ability to receive funds from State and federal sources, which could adversely affect its ability to pay its principal Loan Repayments under its Loan Agreement. Further, a loss of a Series 2011A Participant's status as a Section 501(c)(3)

organization, failure of a Series 2011A Participant to comply with certain legal requirements of the Code, or adoption of amendments to the Code applicable to such Series 2011A Participant that restrict the use of tax-exempt bonds for facilities, such as one or more of its Series 2011A Facilities, could cause interest on the Subseries 2011A-1 Bonds to be included in the gross income of the Bondholders or former Bondholders for federal income tax purposes, and such inclusion could be retroactive to the date of issuance of the Subseries 2011A-1 Bonds. The opinion of Bond Counsel and the description of the tax law contained in this Official Statement are based on statutes, judicial decisions, regulations, rulings, and other official interpretations of law in existence on the date the Subseries 2011A-1 Bonds are issued. No assurance can be given that such laws or the interpretation thereof will not change or that new provisions of law will not be enacted or promulgated at any time while the Subseries 2011A-1 Bonds are outstanding in a manner that would adversely affect the value or the tax treatment of ownership of the Subseries 2011A-1 Bonds. See "PART 10 - TAX MATTERS" above. The Subseries 2011A-1 Bonds are not subject to redemption, nor will the interest rate on the Subseries 2011A-1 Bonds be changed, if interest on the Subseries 2011A-1 Bonds is included in the gross income of the Bondholders or former Bondholders.

Risk of Audit by Internal Revenue Service

The Internal Revenue Service has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Internal Revenue Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. No assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the Subseries 2011A-1 Bonds.

PART 12 - STATE NOT LIABLE ON THE SERIES 2011A BONDS

The Act provides that notes and bonds of the Authority are not a debt of the State, that the State is not liable on them and that such notes or bonds are not payable out of any funds other than those of the Authority. The Resolution specifically provides that the Series 2011A Bonds are not a debt of the State and that the State is not liable on them.

PART 13 - 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 14 - LEGAL MATTERS

Certain legal matters incidental to the authorization and issuance of the Series 2011A Bonds by the Authority are subject to the approval of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Authority, whose approving opinion will be delivered with the Series 2011A Bonds. The proposed form of Bond Counsel's opinion is set forth in Appendix G hereto.

Certain legal matters will be passed upon for the Series 2011A Participants by Lombardi, Walsh, Wakeman, Harrison, Amodeo & Davenport, PC, Albany, New York and for the Underwriter by McCarter & English, LLP, New York, New York and Newark, New Jersey.

There is not now pending any litigation restraining or enjoining the issuance or delivery of the Series 2011A Bonds or questioning or affecting the validity of the Series 2011A Bonds or the proceedings and authority under which they are to be issued.

See “Appendix A - Description of Series 2011A Participants” for a description of any litigation which has a material adverse affect on the Series 2011A Participants.

PART 15 - CONTINUING DISCLOSURE

In order to assist the Underwriter in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission (“Rule 15c2-12”), each Series 2011A Participant has undertaken in a written agreement (collectively, the “Continuing Disclosure Agreements”) for the benefit of the Holders of the Series 2011A Bonds to provide to Digital Assurance Certification LLC (“DAC”), on behalf of the Authority as the Authority’s disclosure dissemination agent, on or before 180 days after the end of each fiscal year, commencing with the fiscal year of the Series 2011A Participants ending June 30, 2011 for filing by DAC with the Municipal Securities Rulemaking Board (the “MSRB”) and its Electronic Municipal Market Access System for municipal securities disclosure on an annual basis, operating data and financial information of the type hereinafter described which is included in this Official Statement (the “Annual Information”), together with each Series 2011A Participant’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 the audited financial statements are not then available, unaudited financial statements shall be provided and such audited financial statements shall be delivered to DAC for delivery to the MSRB.

If, and only if, and to the extent that it receives the Annual Information and annual financial statements described above from the Series 2011A Participants, DAC has undertaken in each Continuing Disclosure Agreement, on behalf of and as agent for the applicable Series 2011A Participant 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 Series 2011A Participant, with the MSRB.

The Series 2011A Participants also will undertake in their respective Continuing Disclosure Agreements to provide to the Authority, the Trustee and DAC, in a timely manner not in excess of nine (9) Business Days after the occurrence of a Notice Event (as hereinafter defined), the notices required to be provided by Rule 15c2-12 and described below (the “Notices”). In addition, the Authority and the Trustee will undertake to provide such Notices to DAC, should they have actual knowledge of the occurrence of a Notice Event. Upon receipt of Notices from a Series 2011A Participant, the Trustee or the Authority, DAC will file the Notices with the MSRB in a timely manner. With respect to the Series 2011A Bonds, DAC has only the duties specifically set forth in the Continuing Disclosure Agreements. DAC’s obligation to deliver the information at the times and with the contents described in the Continuing Disclosure Agreements is limited to the extent it has been provided such information pursuant to the Continuing Disclosure Agreements. DAC has no duty with respect to the content of any disclosure or Notices made pursuant to the terms of the Continuing Disclosure Agreements 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 a Series 2011A Participant, the Trustee or the Authority and shall not be deemed to be acting in any fiduciary capacity for the Authority, a Series 2011A Participant, the Trustee, the Owners of the Series 2011A Bonds or any

other party. DAC has no responsibility for the Authority, any Series 2011A Participant or the Trustee's failure to provide to DAC a Notice required by the Continuing Disclosure Agreements or duty to determine the materiality thereof. DAC shall have no duty to determine or liability for failing to determine whether a Series 2011A Participant, the Trustee or the Authority has complied with the Continuing Disclosure Agreements and DAC may conclusively rely upon certifications of a Series 2011A Participant, the Trustee and the Authority with respect to their respective obligations under the Continuing Disclosure Agreements. In the event that 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 will consist of the operating data and financial information of the type included in this Official Statement in "Appendix A - Description of Series 2011A Participants."

The Notices include notice of any of the following events with respect to the Series 2011A Bonds (a "Notice Event"): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2011A Bonds, or other material events affecting the tax status of the Series 2011A Bonds; (7) modifications to rights of the Owners of the Series 2011A Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Series 2011A Bonds, if material; (11) rating changes on the Series 2011A Bonds; (12) bankruptcy, insolvency, receivership or similar events of a Series 2011A Participant; (13) the consummation of a merger, consolidation, or acquisition involving a Series 2011A Participant or the sale of all or substantially all of the assets of such Series 2011A Participant, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional Trustee or the change of name of a Trustee, if material. In addition, DAC will undertake to provide to the MSRB, in a timely manner, notice of any failure by any of the Series 2011A Participants to provide the Annual Information and annual financial statements by the date required in the Series 2011A Participants' undertaking described above.

The sole and exclusive remedy for breach or default under any Continuing Disclosure Agreement is an action to compel specific performance of the undertakings of the defaulting Series 2011A Participant and/or the Authority or the Trustee, and no person, including any Holder of the Series 2011A Bonds, may recover monetary damages thereunder under any circumstances. The Authority or such defaulting Series 2011A Participant may be compelled to comply with their respective obligations under a Continuing Disclosure Agreement (i) in the case of enforcement of their obligations to provide information required thereunder, by any Holder of Outstanding Series 2011A Bonds or by the Trustee on behalf of the Owners of Outstanding Series 2011A Bonds or (ii) in the case of challenges to the adequacy of the information provided, by the Trustee on behalf of the Owners of Outstanding Series 2011A Bonds. However, the Trustee is not required to take any enforcement action unless so directed by the Owners of not less than 25% in aggregate principal amount of Outstanding Series 2011A Bonds. A breach or default under a Continuing Disclosure Agreement will not constitute an event of default under the Resolutions. 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 Agreements, insofar as the provisions of Rule 15c2-12 no longer in effect required the providing of such information, will no longer be required to be provided.

The foregoing undertakings are intended to set forth a general description of the type of financial information and operating data that will be provided; the descriptions are 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. Any Continuing Disclosure Agreement, however, may under certain circumstances be amended or modified without the consent of Owners of the Series 2011A Bonds. Copies of all Continuing Disclosure Agreements when executed by the parties thereto upon the delivery of the Series 2011A Bonds will be on file at the principal office of the Authority.

The Series 2011A Participants are in compliance with all of their continuing disclosure undertakings made pursuant to Rule 15c2-12.

PART 16 - UNDERWRITING

The Series 2011A Bonds are being purchased by Municipal Capital Markets Group, Inc. (the "Underwriter"). The Underwriter has agreed, subject to certain conditions, to purchase the Series 2011A Bonds from the Authority at a purchase price of \$3,766,062.21 and to make a public offering of the Series 2011A Bonds at prices not in excess public offering prices set forth on the inside front cover page of this Official Statement. The Underwriter will be obligated to purchase all Series 2011A Bonds if any Series 2011A Bonds are purchased. The Series 2011A Bonds may be offered and sold to certain dealers (including dealers depositing such Series 2011A Bonds into investment trusts) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriter.

The Series 2011A Participants have agreed to indemnify the Underwriter and the Authority with respect to certain liabilities, including certain liabilities under the Federal securities laws.

PART 17 - RATINGS

The Series 2011A Bonds have been rated "Aa3" by Moody's. The rating on the Series 2011A Bonds is based upon the obligation of the Series 2011A Participants under the Loan Agreements to make certain payments from the Revenues, and on the security interest in the Pledged Revenues granted by the Series 2011A Participants to the Authority under the Loan Agreements. An explanation of the significance of the rating should be obtained from Moody's. There is no assurance that such rating will prevail for any given period of time or that it will not be changed or withdrawn by Moody's if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of the rating may have an adverse effect on the market price of the Series 2011A Bonds.

PART 18 - INDEPENDENT PUBLIC ACCOUNTANTS

Each of the Series 2011A Participants has provided its financial statements as of and for the years ended June 30, 2010, June 30, 2009 and June 30, 2008. These financial statements, included in Appendix B to this Official Statement, have been audited by independent certified public accounting firms, as stated in their respective reports appearing therein. Notwithstanding the receipt of any consents to append the financial statements to this Official Statement, none of the auditors performed any procedures relating to any of the information contained in this Official Statement.

PART 19 - MISCELLANEOUS

Reference in this Official Statement to the Act, the Resolutions, the Loan Agreements and the Mortgages do not purport to be complete. Refer to the Act, the Resolutions, the Loan Agreements and the

Mortgages for full and complete details of their provisions. Copies of the Resolutions, the Loan Agreements and the Mortgages are on file with the Authority and the Trustee.

The agreements of the Authority with Holders of the Series 2011A Bonds are fully set forth in the Resolutions. Neither any advertisement of the Series 2011A Bonds nor this Official Statement is to be construed as a contract with purchasers of the Series 2011A Bonds.

Any statements made in this Official Statement involving matters of opinion or estimates, whether or not expressly stated, are intended as such, and not as representations of facts. No representation is made that any of the opinions or estimates will be realized.

The information regarding the Series 2011A Participants contained in this Official Statement and information concerning the Series 2011A Facilities contained herein has, in each case, been furnished by the Series 2011A Participants. The Authority believes that this information is reliable, but the Authority makes no representations or warranties as to the accuracy or completeness of such information.

The information regarding DTC and DTC's book-entry only system has been furnished by DTC. The Authority believes that this information is reliable, but makes no representations or warranties whatsoever as to the accuracy or completeness of this information.

"Appendix A - Description of Series 2011A Participants," "Appendix B - Audited Financial Statements of Series 2011A Participants" and "Appendix C - Unaudited Financial Information of Series 2011A Participants" were supplied by the Series 2011A Participants.

"Appendix D - Certain Definitions," "Appendix E - Summary of Certain Provisions of the Loan Agreements," "Appendix F - Summary of Certain Provisions of the Resolutions" and "Appendix G - Form of Approving Opinion of Bond Counsel" have been prepared by Hawkins Delafield & Wood, LLP, New York, New York, Bond Counsel to the Authority.

Each Series 2011A Participant has reviewed the parts of this Official Statement describing such Series 2011A Participant, its Series 2011A Facilities, its Mortgage, if any, its sources of funding, the Estimated Sources and Uses of Funds, the Bondholders' Risks and Appendices A, B and C. It is a condition to the sale and delivery of the Series 2011A Bonds that each Series 2011A Participant certify as of the dates of sale and delivery of the Series 2011A 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.

Each Series 2011A Participant has agreed to indemnify the Authority 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 with respect to such Series 2011A Participant.

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

APPENDIX A

DESCRIPTION OF PARTICIPANTS

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LIFESPIRE, INC.

General Operations. Lifespire, Inc. (“Lifespire”) was founded in 1951. Lifespire provides a wide range of in-home and residential and day program services to the developmentally disabled community of New York City. Lifespire’s mission is to provide support and assistance to individuals with developmental and related disabilities and their families. In order to achieve its mission, Lifespire provides services whose goals are: to assist individuals to develop to their fullest level of independence; to allow individual choice in determining what their lives will be like; to help families stay together by providing relief, training and support of care givers, which enhance the family’s quality of life; and to provide excellent services as defined by the consumers of those services. Lifespire is a not-for-profit organization, exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and comparable New York State Law.

Lifespire’s funding sources for its 2010 Fiscal Year were: OPWDD (approximately 95%) and miscellaneous other sources (approximately 5%).

Description of Facilities and Financing Plan. The Authority will lend Lifespire approximately \$1,925,000 from the proceeds of the Series 2011A Bonds (“Lifespire’s Allocable Portion”). Such amount will be used to refinance debt incurred in the acquisition and/or renovation and furnishing of two properties at the following residential facilities (the “Facilities”) for developmentally disabled adults:

- 136-04 220th Street, Springfield Gardens, New York - approximately \$1,182,331 for the acquisition, renovation and furnishing of an 1,818-square-foot 3-story building to be used as a residence for eight developmentally disabled adults.
- 3916 Kings Highway, Brooklyn, New York - approximately \$470,408 for the renovation and furnishing of a 2,550-square-foot 3-story building to be used as a residence for ten developmentally disabled adults.

The remaining Series 2011A Bond proceeds to be loaned in the amount of approximately \$272,261 will be used for legal fees, costs of issuance, debt service reserve requirements and original issue discount with respect to the Series 2011A Bonds.

The governmental funding source for the Facilities is OPWDD and the Facilities are supported by PPAs, which Lifespire has received. This means the Facilities are pre-approved by OPWDD for reimbursement by OPWDD for principal and interest costs incurred in connection with the acquisition and/or renovation and furnishing of the Facilities and financing or refinancing costs incurred in connection therewith. The Facilities either have their Certificates of Occupancy or Letter of Completion. (See the information in this Official Statement entitled “PART 11 - BONDHOLDERS’ RISKS - Completion of the Projects; Zoning; Certificate of Occupancy.”)

Lifespire owns the Facilities, and will grant a first priority mortgage on the Facilities to the Authority. Lifespire will also grant the Authority a lien on the Public Funds attributable to the Facilities.

Other Properties. Lifespire also owns 33 other properties and leases another 43 residential and day program properties in the Boroughs of New York City and leases office space in Manhattan and Staten Island.

Employees. Lifespire employs 1,214 full-time and 351 part-time employees in New York City and Westchester County. Lifespire does not expect that the operation of the Facilities will require it to employ additional personnel.

Debt Service Coverage.

Calculated in accordance with the requirements of the Loan Agreement between the Authority and Lifespire, the actual Debt Service Coverage for Fiscal Year 2010 and the Pro Forma Debt Service Coverage (which includes Lifespire's Allocable Portion of the Series 2011A Bonds) are as follows:

	2010	2010
	Actual	Pro Forma
Net Income (after adj.)	\$1,862,259	\$1,862,259
Depreciation	2,480,133	2,480,133
Interest Expense	2,289,229	2,289,229
PPA Reimbursement	0	179,261
Cash Flow for Debt Service	6,631,621	6,810,882
Maximum Annual Debt Service	6,074,108	6,253,369
Debt Service Coverage	1.092	1.089

Financials. Audited financial statements for Lifespire's fiscal years ended June 30, 2008 through June 30, 2010 were prepared by ERE LLP (predecessor to MBAF-ERE CPAs, LLC) and are attached as Appendix B-I. Interim unaudited financial information prepared by Lifespire's Management covering the period from July 1, 2010 through May 31, 2011 is attached as Appendix C-I. Significant accounting policies are contained in the audited financial statements.

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Management's Summary of Financial Information and Results of Operations.

Summary of Financial information for Prior Five Fiscal Years — All Funds

The following is a summary of financial information for Lifespire for the most recently ended five (5) fiscal years for which audited financial statements were available and has been prepared by Lifespire's Management and derived from Lifespire's audited financial statements. The data contained in the following table should be read in conjunction with the audited financial statements and related notes presented in Appendix B-I.

	Fiscal Year Ended June 30,				
	2006	2007	2008	2009	2010
Current Assets	\$23,473,810	\$25,110,571	\$27,711,125	\$32,327,387	40,740,254
Net Fixed Assets	18,501,001	19,299,733	19,816,115	21,680,546	19,956,497
Other	<u>9,538,049</u>	<u>9,199,363</u>	<u>10,199,177</u>	<u>10,473,509</u>	<u>11,482,683</u>
Total	<u>51,512,860</u>	<u>53,609,667</u>	<u>57,726,417</u>	<u>64,481,442</u>	<u>72,179,434</u>
Current Liabilities	17,474,880	17,051,759	18,977,281	20,776,032	24,862,807
Other Liabilities	19,080,967	24,235,030	27,677,626	32,553,230	34,300,815
Net Assets	<u>15,017,013</u>	<u>12,322,878</u>	<u>11,071,510</u>	<u>11,152,180</u>	<u>13,015,812</u>
Total	<u>51,512,860</u>	<u>53,609,667</u>	<u>57,726,417</u>	<u>64,481,442</u>	<u>72,179,434</u>
Operating Revenue:					
Program Revenue	80,985,555	89,032,643	91,316,624	96,968,426	103,587,506
Nonprogram Revenue	<u>3,956,372</u>	<u>513,872</u>	<u>544,358</u>	<u>216,865</u>	<u>247,895</u>
Total	<u>84,941,927</u>	<u>89,546,515</u>	<u>91,860,982</u>	<u>97,185,291</u>	<u>103,835,401</u>
Operating Expenses	<u>84,409,343</u>	<u>87,159,609</u>	<u>93,706,180</u>	<u>98,780,232</u>	<u>103,570,238</u>
Change in Net Assets	<u>3,884,137</u>	<u>(2,694,135)</u>	<u>(1,251,368)</u>	<u>80,670</u>	<u>1,863,632</u>
Net Assets, Beginning of Year	<u>11,132,876</u>	<u>15,017,013</u>	<u>12,322,878</u>	<u>11,071,510</u>	<u>11,152,180</u>
Prior Period Adjustment	<u>3,340,016</u>	<u>541,967</u>	<u>593,806</u>	<u>1,674,658</u>	<u>1,597,096</u>
Net Assets, End of Year	<u>15,017,013</u>	<u>12,322,878</u>	<u>11,071,510</u>	<u>11,152,180</u>	<u>13,015,812</u>
Cash & Equivalents	<u>8,782,880</u>	<u>4,548,959</u>	<u>10,660,141</u>	<u>9,109,636</u>	<u>19,420,012</u>

Management Discussion of Results of Operations.

(1) Known Trends or Uncertainties Likely to Have an Impact on Liquidity: Lifespire is not aware of any trends or uncertainties that have had or are reasonably likely to have a material impact on Lifespire's short-term or long-term liquidity.

(2) Sources of Liquidity: (a) Internal – Lifespire had current assets of \$40,740,254 and \$32,327,387 at the end of the fiscal years of 2010 and 2009, respectively. (b) External – Lifespire has available a \$5 million line of credit with JP Morgan Chase Bank for operating expenses and a \$5 million line of credit with Bank of America for capital improvements.

(3) Known Trends or Uncertainties Likely to Have an Impact on Revenue or Income: Lifespire is not aware of any trends or uncertainties that have had or that are reasonably expected to have a material impact on the net revenues. (See the information in this Official Statement entitled "PART 11 - BONDHOLDERS' RISKS.")

(4) Income or Loss from Sources Other than Continuing Operations: Income from contributions, fund raising, and interest for fiscal years 2009 and 2010 were \$216,865 and \$247,895, respectively. See APPENDIX C-I for interim unaudited financial information through May 31, 2011.

(5) Causes for Changes in Financial Statements: Changes in the number of persons served in a particular program normally affect the revenue of the program. Lifespire's total operations have increased due to expansion of residential services provided. Lifespire records unearned advances to fee for service revenue as deferred revenue until it is expended for the purpose of the funding source, at which time it is recognized as Prior Period Revenue.

Liquidity and Capital Resources. As of June 30, 2010, Lifespire had \$19,420,012 in unrestricted cash and cash equivalents and \$340,662 in net accounts receivable.

As of May 31, 2011, Lifespire had an available line of credit of \$5 million with JP Morgan Chase Bank carrying an interest rate of the bank's prime rate plus .5%. The line of credit is available through March 14, 2012, and is secured by Lifespire's government receivables. There is no outstanding balance as of May 31, 2011.

As of May 31, 2011, Lifespire had an available line of credit of \$5 million with Bank of America carrying an interest rate of the bank's prime rate plus .5%. The line of credit is available through March 31, 2012, and is secured by Lifespire's accounts receivable. The current outstanding balance as of May 31, 2011, is \$1,172,919.

Long-Term Debt. As of June 30, 2010, Lifespire had \$19,973,764 in outstanding long term indebtedness. Of this amount, \$9,848,764 is secured by a security interest in certain receivables of Lifespire, which may include Lifespire's Public Funds. See Notes 12, 14 and 15 of Lifespire's Audited Financial Statements under titles of "Mortgages Payable - DASNY," "Bonds Payable - DASNY" and "Bonds Payable - IDA." Lifespire has not incurred any long term debt subsequent to June 30, 2010.

Contingencies; Pending or Potential Litigation. In the opinion of Management, there is no action, suit, proceeding, inquiry or investigation at law or in equity or before or by any court, public board or body pending or threatened to challenge the authority or ability of Lifespire to continue to operate its facilities or to challenge title to its properties or seeking damages in excess of applicable insurance coverage or wherein an adverse determination might materially adversely affect the ability of Lifespire to

carry out the transactions contemplated in the Loan Agreement, the Mortgage and the Intercept Agreement.

Management.

Directors and Officers: The affairs of Lifespire are governed by a Board of Directors of sixteen. The officers are comprised of: Julian Palmo, Chairman, Jeffrey Goodman, Vice Chairman, Patrick Vatel, Treasurer and Ellen R. Greene, Secretary. Other members of the Board are: Anne Dunbar, Audrey Lieberman, Michael R. Dillon, Margaret Davino, Michael S. Gross, Jerome Greene, Sister Grace Henke, Lawrence Hirsch, Robert Krakow, Denise Nicoletti, Michael Rappaport, Elizabeth Schiff and Jules Shorr (honorary member). The Board of Directors meets at least four times a year. Five members of the Board constitute a quorum. The members of the Board serve without compensation.

Executive and Administrative Officers: Mark van Voorst is the Chief Executive Officer of Lifespire. He holds a Master of Divinity from Princeton Theological Seminary. Prior to working at Lifespire, Mark van Voorst was the Associate Executive Director of Lexington Center. Lifespire has several other key employees including Tom Lydon, Chief Operating Officer and Keith Lee, Chief Financial Officer.

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PAUL J. COOPER CENTER FOR HUMAN SERVICES, INC.

General Operations. Paul J. Cooper Center for Human Services, Inc. (“Paul J. Cooper CHS”) was founded in 1970. Operating out of over seven facilities, Paul J. Cooper CHS provides a wide range of residential services to the developmentally disabled in Brooklyn, New York. Paul J. Cooper CHS is a comprehensive voluntary not-for-profit human services organization. A part of Paul J. Cooper CHS’ mission is to provide support and assistance to individuals with developmental and related disabilities and their families. In order to achieve its mission, Paul J. Cooper CHS provides services whose goals are: to assist individuals to develop to their fullest level of independence; to allow individuals choice in determining what their lives will be like; to help families stay together by providing relief, training and support of care givers which enhance the family’s quality of life; and to provide excellent services as defined by the consumers of service. Paul J. Cooper CHS is a not-for-profit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and comparable New York State Law.

Paul J. Cooper CHS’ funding sources for its 2010 Fiscal Year were: OPWDD (approximately 69%), the State of New York Office of Mental Health (approximately 7%), the New York City Human Resources Administration (approximately 2%), New York City Department of Mental Health (approximately 13%) and miscellaneous other sources (approximately 9%).

Description of Facilities and Financing Plan. The Authority will lend Paul J. Cooper CHS approximately \$1,420,000 from the proceeds of the Series 2011A Bonds (“Paul J. Cooper CHS’ Allocable Portion”). Such amount will be used to refinance debt incurred in the acquisition and renovation of one property at the following residential facility (the “Facility”) for developmentally disabled adults:

- 368 Ashford Street, Brooklyn, New York - approximately \$1,150,504 for the acquisition and renovation of a 7,200-square-foot 3-story building to be used as a residence for ten developmentally disabled adults.

The remaining Series 2011A Bond proceeds to be loaned in the amount of approximately \$269,496 will be used for legal fees, payment of capitalized interest, costs of issuance, debt service reserve requirements and original issue discount with respect to the Series 2011A Bonds.

The governmental funding source for the Facility is OPWDD and the Facility is supported by a PPA, which Paul J. Cooper CHS has received. This means the Facility is pre-approved by OPWDD for reimbursement by OPWDD for principal and interest costs incurred in connection with the acquisition and renovation of the Facility and financing or refinancing costs incurred in connection therewith. Paul J. Cooper CHS has received a Certificate of Occupancy for the Facility.

Paul J. Cooper CHS owns the Facility and it will grant a first priority mortgage on the Facility to the Authority. Paul J. Cooper CHS will also grant the Authority a lien on the Public Funds attributable to the Facility.

Other Properties. Paul J. Cooper CHS also owns four other properties and leases another three properties in the Boroughs of New York City.

Employees. Paul J. Cooper CHS employs a total of approximately 175 employees, of which approximately 16 full time employees are employed at the Facility. Paul J. Cooper CHS does not expect that the operation of the Facility will require it to employ additional personnel.

Debt Service Coverage.

Calculated in accordance with the requirements of the Loan Agreement between the Authority and Paul J. Cooper CHS, the actual Debt Service Coverage for Fiscal Year 2010 and the Pro Forma Debt Service Coverage (which includes Paul J. Cooper CHS' Allocable Portion of the Series 2011A Bonds) are as follows:

	2010	2010
	Actual	Pro Forma
Net Income (after adj.)	\$502,094	\$502,094
Depreciation	129,562	129,562
Interest Expense	132,262	132,262
PPA Reimbursement	0	152,046
Cash Flow for Debt Service	763,918	915,964
Maximum Annual Debt Service	256,217	408,263
Debt Service Coverage	2.982	2.244

Financials. Audited financial statements for Paul J. Cooper CHS' fiscal years ended June 30, 2008 through June 30, 2010 were prepared by Satty, Levine & Ciacco, CPAs, P.C. and are attached as Appendix B-II. Interim unaudited financial information prepared by Paul J. Cooper CHS' Management covering the period from July 1, 2010 through May 31, 2011 is attached as Appendix C-II. Significant accounting policies are contained in the audited financial statements.

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Management's Summary of Financial Information and Results of Operations.

Summary of Financial information for Prior Five Fiscal Years — All Funds

The following is a summary of financial information for Paul J. Cooper CHS for the most recently ended five (5) fiscal years for which audited financial statements were available and has been prepared by Paul J. Cooper CHS' Management and derived from Paul J. Cooper CHS' audited financial statements. The data contained in the following table should be read in conjunction with the audited financial statements and related notes presented in Appendix B-II.

	Fiscal Year Ended June 30,				
	2006	2007	2008	2009	2010
Current Assets	\$ 1,599,461	\$ 1,197,747	\$ 1,235,765	\$ 1,152,466	\$ 1,408,280
Net Fixed Assets	591,166	2,113,945	2,681,660	2,591,427	2,530,473
Other	2,500	1,750	34,482	37,825	122,832
Total	<u>2,193,127</u>	<u>3,313,442</u>	<u>3,951,907</u>	<u>3,781,698</u>	<u>4,061,460</u>
Current Liabilities	924,829	1,107,965	1,096,327	1,050,531	933,836
Other Liabilities	2,271,921	2,594,503	2,990,256	2,666,669	2,561,032
Net Assets	<u>(1,003,623)</u>	<u>(389,026)</u>	<u>(134,676)</u>	<u>64,496</u>	<u>566,590</u>
Total	<u>2,193,127</u>	<u>3,313,442</u>	<u>3,951,907</u>	<u>3,781,698</u>	<u>4,061,460</u>
Operating Revenue:					
Program Revenue	7,880,042	8,245,283	8,561,748	8,388,024	8,795,524
Nonprogram Revenue	497,916	533,245	123,083	101,938	503,162
Total	<u>8,377,958</u>	<u>8,778,528</u>	<u>8,684,831</u>	<u>8,489,962</u>	<u>9,298,686</u>
Operating Expenses	<u>7,765,347</u>	<u>8,163,931</u>	<u>8,430,481</u>	<u>8,290,790</u>	<u>8,796,592</u>
Change in Net Assets	<u>612,611</u>	<u>614,597</u>	<u>254,350</u>	<u>199,172</u>	<u>502,094</u>
Net Assets, Beginning of Year	<u>(1,616,234)</u>	<u>(1,003,623)</u>	<u>(389,026)</u>	<u>(134,676)</u>	<u>64,496</u>
Prior Period Adjustment	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Assets, End of Year	<u>(1,003,623)</u>	<u>(389,026)</u>	<u>(134,676)</u>	<u>64,496</u>	<u>566,590</u>
Cash & Equivalents	<u>636,748</u>	<u>89,883</u>	<u>191,326</u>	<u>272,647</u>	<u>222,308</u>

Management Discussion of Results of Operations.

(1) Known Trends or Uncertainties Likely to Have an Impact on Liquidity: Paul J. Cooper CHS is not aware of any trends or uncertainties that have had or are reasonably likely to have a material impact on Paul J. Cooper CHS' short-term or long-term liquidity.

(2) Sources of Liquidity: (a) Internal – Paul J. Cooper CHS had current assets of \$1,408,280 and \$1,152,466 at the end of the fiscal years of June 30, 2010 and 2009, respectively. (b) External – As of March 31, 2011, Paul J. Cooper CHS did not have a line of credit with any bank.

(3) Known Trends or Uncertainties Likely to Have an Impact on Revenue or Income: Paul J. Cooper CHS is not aware of any trends or uncertainties that have had or that are reasonably expected to have a material impact on net revenues. (See the information in this Official Statement entitled “PART 11 - BONDHOLDERS’ RISKS.”)

(4) Income or Loss from Sources Other than Continuing Operations: Income from contributions, fund raising, and interest for fiscal years 2009 and 2010 were \$101,938 and \$503,162, respectively. See APPENDIX C-II for interim unaudited financial information through May 31, 2011.

(5) Causes for Changes in Financial Statements: Changes in the number of persons served in a particular program normally affects the revenue of such program. Paul J. Cooper CHS' total operations have increased due to expansion. In the fiscal year ending June 30, 2010, Paul J. Cooper CHS had an increase of \$502,094 in its net assets due to new grants.

Liquidity and Capital Resources. As of June 30, 2010, Paul J. Cooper CHS had \$222,308 in unrestricted cash and cash equivalents and \$1,185,972 in net accounts receivable.

As of March 31, 2011, Paul J. Cooper CHS did not have a line of credit with any bank.

Long-Term Debt. As of June 30, 2010, Paul J. Cooper CHS had \$2,689,230 in outstanding long term indebtedness. Of this amount, \$1,707,518 is secured by a security interest in certain receivables of Paul J. Cooper CHS, which may include Paul J. Cooper CHS' Public Funds. See Notes 4 and 7 of Paul J. Cooper CHS' Audited Financial Statements under titles “Long-Term Debt” and “Operating Leases,” respectively. Paul J. Cooper CHS has not incurred any long term debt subsequent to June 30, 2010.

Contingencies; Pending or Potential Litigation. In the opinion of Management, there is no action, suit, proceeding, inquiry or investigation at law or in equity or before or by any court, public board or body pending or threatened to challenge the authority or ability of Paul J. Cooper CHS to continue to operate its facilities or to challenge title to its properties or seeking damages in excess of applicable insurance coverage or wherein an adverse determination might materially adversely affect the ability of Paul J. Cooper CHS to carry out the transactions contemplated in the Loan Agreement, the Mortgage and the Intercept Agreement.

Management.

Directors and Officers: The affairs of Paul J. Cooper CHS are governed by a Board of Directors of 15 voting members. The officers are comprised of Mary Joyner, Chairperson; Ulysses Kilgore, Treasurer; Lenette Kinion, Secretary; Jean Leon, Vice President; and Annie Nicholson, Assistant Treasurer. Other members of the Board of Directors are: Abdul Lord Bey, Deborah Pierce, Van R. Johnson, Sondra Snead, Essie Dugan, Millicent Cranford and Antoinette Nelson. The Board of Directors meets at least 12 times per year. The presence of at least 40% of the members of the Board, in person, constitutes a quorum. The members of the Board of Directors serve without compensation.

Executive and Administrative Officers: Wayne Wiltshire has been the Chief Executive Officer of Paul J. Cooper CHS since 2002. Prior to that Mr. Wiltshire was Vice President and Co-Owner of Health Link Incorporated. Between 1973 and 2002, Mr. Wiltshire held executive and administrative positions at SUNY Hospital Downstate, Bellevue Hospital Center Cumberland Diagnostic and Treatment Center, Woodhull Medical and Mental Health Center and Cumberland Hospital. Mr. Wiltshire has also taught Health Management as an Adjunct Professor at St. Joseph's College in Brooklyn, New York. Mr. Wiltshire is a 1973 graduate of Shaw University where he received a B.S. in Political Science. He is a 1989 graduate of Long Island University, having earned an M.S. in Community Health Administration. He received an Executive Juris Doctor in 2009 from Concord Law School in Los Angeles, California.

Maria C. Willis is the Chief Operating Officer of Paul J. Cooper CHS. Ms. Willis was appointed to that position in 2009, prior to which time she served as Deputy Executive Director of Paul J. Cooper CHS. Javier Guerrero assumed the role of Chief Financial Officer of Paul J. Cooper CHS effective in 2004.

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WILDWOOD PROGRAMS, INC.

General Operations. Wildwood Programs, Inc. (“Wildwood”) was founded in 1967. Operating out of 20 facilities, Wildwood provides a wide range of in-home educational and residential services to the developmentally disabled community of the Capital District of New York State. Wildwood’s mission is to provide support and assistance to individuals with developmental and related disabilities and their families. In order to achieve its mission, Wildwood provides services whose goals are: (i) to assist individuals to develop to their fullest level of independence; (ii) to allow individuals choice in determining what their lives will be like; (iii) to help families stay together by providing relief, training and support of care givers which enhance the family’s quality of life; and (iv) to provide excellent services as defined by the consumers of service. Wildwood is a not-for-profit organization, exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and comparable New York State Law.

Wildwood’s funding sources for its 2010 Fiscal Year were: OPWDD (approximately 54%), SED (approximately 37%), participant’s fees (approximately 7%), and other miscellaneous sources (approximately 2%).

Description of Facility and Financing Plan. The Authority will lend Wildwood approximately \$550,000 from the proceeds of the Series 2011A Bonds (“Wildwood’s Allocable Portion”). Such amount will be used to refinance debt incurred to acquire, renovate and furnish the following facility (the “Facility”) to be used as a residence for developmentally disabled adults:

- 848 Best Road, West Sand Lake, New York: approximately \$462,134 for the acquisition, renovation and furnishing of a residential facility for five developmentally disabled adults in a 2,500-square-foot, single-story building.

The remaining Series 2011A Bond proceeds to be loaned to Wildwood in the amount of approximately \$87,866 will be used for legal fees, costs of issuance, debt service reserve requirements and original issue discount with respect to the Series 2011A Bonds.

The governmental funding source for the Facility is OPWDD, and the Facility is supported by a PPA, which Wildwood has received. This means the Facility is preapproved by OPWDD for reimbursement by OPWDD for principal and interest costs incurred in connection with the acquisition and renovation of the Facility and financing or refinancing costs incurred in connection therewith. The Facility is expected to receive its Certificate of Occupancy or Letter of Completion within the next 12 months. (See the information in this Official Statement entitled “PART 11 - BONDHOLDERS’ RISKS - Completion of the Projects; Zoning; Certificate of Occupancy.”)

Wildwood owns the Facility and will grant a first priority mortgage on such Facility to the Authority. Wildwood will also grant the Authority a lien on the Public Funds attributable to the Facility. Wildwood has outstanding loans from the Authority that are secured by a Prior Pledge of Wildwood’s Public Funds. See Notes 6 and 7 of Wildwood’s Audited Financial Statements in APPENDIX B-III under titles “Leases” and “Long-Term Debt,” and APPENDIX C-III for interim unaudited financial information through May 31, 2011.

Other Properties. Wildwood also owns or leases approximately 34 other properties in the Capital District.

Employees. Wildwood employs 467 full-time and 165 part-time employees in the Capital District of upstate New York, of which approximately 10 full-time employees and a variety of relief staff,

whose cumulative full-time equivalent status does not exceed 0.5 full-time employees, are employed at the Facility. Wildwood expects the operation of the Facility will require it to employ an additional 11 personnel.

Debt Service Coverage.

Calculated in accordance with the requirements of the Loan Agreement between the Authority and Wildwood, the actual Debt Service Coverage for Fiscal Year 2010 and the Pro Forma Debt Service Coverage (which includes Wildwood’s Allocable Portion of the Series 2011A Bonds) are as follows:

	2010	2010
	Actual	Pro Forma
Net Income (after adj.)	\$876,212	\$876,212
Depreciation	1,268,408	1,268,408
Interest Expense	674,050	674,050
PPA Reimbursement	0	52,631
Cash Flow for Debt Service	2,818,670	2,871,301
Maximum Annual Debt Service	1,220,678	1,273,309
Debt Service Coverage	2.309	2.255

Financials. Audited financial statements for Wildwood’s fiscal years ended June 30, 2009 and June 30, 2010 were prepared by Bryans & Gramuglia CPAs, LLC. Audited financial statements for Wildwood’s fiscal year ended June 30, 2008 were prepared by Marvin and Company, P.C. Such audited financial statements are attached as Appendix B-III. Interim unaudited financial information prepared by Wildwood’s Management covering the period from July 1, 2010 through May 31, 2011 is attached as Appendix C-III. Significant accounting policies are contained in the audited financial statements.

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Management's Summary of Financial Information and Result of Operations.

Summary of Financial Information for Prior Five Fiscal Years - All Funds

The following is a summary of financial information for Wildwood for the most recently ended five (5) fiscal years for which audited financial statements were available and has been prepared by Wildwood's Management and derived from Wildwood's audited financial statements. The data contained in the following table should be read in conjunction with the audited financial statements and related notes presented in Appendix B-III.

	Fiscal Year Ended June 30,				
	2006	2007	2008	2009	2010
Current Assets	\$ 5,066,155	\$ 5,259,441	\$ 8,518,715	\$ 7,061,779	\$ 7,913,121
Net Fixed Assets	10,541,651	26,250,299	15,834,947	15,756,539	15,143,433
Other	<u>3,789,915</u>	<u>5,183,275</u>	<u>5,871,866</u>	<u>6,542,454</u>	<u>6,244,156</u>
Total	<u>19,397,721</u>	<u>36,693,015</u>	<u>30,225,528</u>	<u>29,360,772</u>	<u>29,300,710</u>
Current Liabilities	2,366,089	8,921,351	3,096,287	6,100,353	5,570,627
Other Liabilities	8,788,922	18,488,682	16,451,798	12,903,993	12,497,445
Net Assets	<u>8,242,710</u>	<u>9,239,104</u>	<u>10,677,443</u>	<u>10,356,426</u>	<u>11,232,638</u>
Total	<u>19,397,721</u>	<u>36,693,015</u>	<u>30,225,528</u>	<u>29,360,772</u>	<u>29,300,710</u>
Operating Revenue:					
Program Revenue	22,593,778	24,704,198	27,279,630	28,765,421	31,201,878
Nonprogram Revenue	<u>557,063</u>	<u>544,581</u>	<u>1,986,748</u>	<u>1,478,785</u>	<u>1,010,044</u>
Total	<u>23,150,841</u>	<u>25,248,779</u>	<u>29,266,378</u>	<u>30,244,206</u>	<u>32,211,922</u>
Operating Expenses	<u>22,881,877</u>	<u>25,601,867</u>	<u>27,966,163</u>	<u>29,410,615</u>	<u>30,852,427</u>
Change in Net Assets and net assets of related party	268,964	(353,088)	1,300,215	(321,017)	876,212
	<u>863,003</u>	<u>996,394</u>	<u>688,591</u>	<u>(1,018,850)</u>	<u>(262,653)</u>
Net Assets, Beginning of Year	<u>7,404,707</u>	<u>8,242,710</u>	<u>9,239,104</u>	<u>10,677,443</u>	<u>10,356,426</u>
Prior Period Adjustment	<u>0</u>	<u>0</u>	<u>(43,878)</u>	<u>0</u>	<u>0</u>
Net Assets, End of Year	<u>8,242,710</u>	<u>9,282,982</u>	<u>10,677,443</u>	<u>10,356,426</u>	<u>11,232,638</u>
Cash & Equivalents	<u>1,357,918</u>	<u>1,633,033</u>	<u>3,055,348</u>	<u>3,376,616</u>	<u>2,899,318</u>

Management's Discussion of Results of Operations.

(1) Known Trends or Uncertainties Likely to Have an Impact on Liquidity: Wildwood is not aware of any trends or uncertainties that have had or are reasonably likely to have a material impact on Wildwood's short-term or long-term liquidity.

(2) Sources of Liquidity: (a) Internal - Wildwood had current assets of \$7,913,121 and \$7,061,779 at the end of the fiscal years of 2010 and 2009, respectively; (b) External - Wildwood has available lines of credit aggregating \$2.25 million from RBS Citizens, N.A. and KeyBank, N.A.

(3) Known Trends or Uncertainties Likely to Have an Impact on Revenue or Income: Wildwood is not aware of any trends or uncertainties that have had or that are reasonably expected to have a material impact on net revenues or income. (See the information in this Official Statement entitled "PART 11 - BONDHOLDERS' RISKS.")

(4) Income or Loss from Sources Other than Continuing Operations: Income from contributions, fund raising, membership dues, and interest/investment for fiscal years 2010 and 2009 were \$1,010,044 and \$1,478,785, respectively. See APPENDIX C-III for interim unaudited financial information through May 31, 2011.

(5) Causes for Changes in Financial Statements: Changes in the number of persons served in a particular program normally affect the revenue of the program. Wildwood's total operations have increased due to the expansion of residential services provided. In the fiscal year ending June 30, 2010, Wildwood had an increase of \$876,212.

Liquidity and Capital Resources. As of June 30, 2010, Wildwood had \$2,899,318 in unrestricted cash and cash equivalents and \$4,351,787 in net accounts receivable.

As of May 31, 2011, Wildwood had available lines of credit as follows: two lines of credit with KeyBank, N.A. for \$500,000, each carrying an interest rate equal to the bank's prime rate plus 1%, and expiring December 31, 2011; and a \$750,000 line of credit with RBS Citizens, N.A. carrying an interest rate equal to the LIBOR Advantage rate plus 2.5% and expiring January 31, 2012. The loans with respect to the lines of credit are unsecured. As of May 31, 2011, a total of \$330,000 was outstanding under the lines of credit.

Long-Term Debt. As of June 30, 2010, Wildwood had \$17,703,091 in outstanding long term indebtedness. Of this amount, \$964,219 is secured by a security interest in certain receivables of Wildwood, which may include Wildwood's Public Funds. See Notes 6 and 7 of Wildwood's Audited Financial Statements under titles "Leases" and "Long-Term Debt." Wildwood has not incurred any long term debt subsequent to June 30, 2010.

Contingencies; Pending or Potential Litigation. In the opinion of Management, there is no action, suit, proceeding, inquiry or investigation at law or in equity or before or by any court, public board or body pending or threatened to challenge the authority or ability of Wildwood to continue to operate its facilities or to challenge title to its properties or seeking damages in excess of applicable insurance coverage or wherein an adverse determination might materially adversely affect the ability of Wildwood to carry out the transactions contemplated in the Loan Agreement, the Mortgage and the Intercept Agreement.

Management.

Directors and Officers. The affairs of Wildwood are governed by a Board of Directors of not less than 7 nor more than 30. The officers are comprised of: Joseph Fitzgerald, President; Peter Nickel, Vice-President; Edward S. Knapp, Treasurer; and Gerald L. Lynch, Jr., Secretary. Other members of the Board of Directors are: Kevin G. Banes, Debra R. Barkman, Brigit Burke, Shirley Davis, Janet Deixler, William Hedberg, Peter Loyola, Cheryl Marcella, Karen Nagy, Roseanne O'Brien, Kevin Ryan, Wilma Schmeler, Linda Siatkowski, Edward Wilcenski, Robin Worobey and Amanda Zenner. The Board of Directors meets at least five times per year. A majority of the members of the Board constitute a quorum. The members of the Board of Directors serve without compensation.

Executive and Administrative Officers. Maryann Allen is the Executive Director and Chief Executive Officer, having been appointed to such position in 2001. She is a 1978 graduate of St. Lawrence University where she received a B.A. in Government and English Literature, *magna cum laude*. She is a member of Phi Beta Kappa, and a 1981 *cum laude* graduate of Albany Law School. Ms. Allen began her legal career at Nixon, Hargrave, Devans and Doyle in Rochester, New York. She returned to the Albany area in 1983, and in 1990 she became the first woman partner at Bouck, Holloway, Kiernan and Casey in Albany where her practice was concentrated in civil litigation. In 1995 she co-founded Allen Johnson and Longergan, LLP in Albany, again concentrating in insurance and personal injury defense litigation. Since assuming her leadership role at Wildwood, Ms. Allen has maintained her law license and provides advice on an informal basis to the firm she co-founded. As the parent of an adult child with a developmental disability, Ms. Allen has worked tirelessly in a variety of consultative and volunteer roles at Wildwood, including, President of the Wildwood Programs Board of Directors, Chair of the Wildwood Legislative and Advocacy Committee, Co-Chair of the Parent Sub-Committee of Wildwood School's Future Planning Committee and a member of the Wildwood Education Committee.

Gary R. Milford is the Deputy Executive Director for Finance of Wildwood. Mr. Milford was appointed to such position in 1984. Richard L. Walley is the Deputy Executive Director for Services of Wildwood. Mr. Walley was appointed to such position in 2001.

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APPENDIX B-I
LIFESPIRE, INC.

AUDITED FINANCIAL STATEMENTS
FISCAL YEARS 2010, 2009 AND 2008

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LIFESPIRE, INC. AND SUBSIDIARY
(A NOT-FOR-PROFIT ORGANIZATION)
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2010

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LIFESPIRE, INC. AND SUBSIDIARY
(A Not-for-Profit Organization)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
 Lifespire, Inc. and Subsidiary

We have audited the accompanying consolidated statement of financial position of Lifespire, Inc., (a non-profit organization) and Subsidiary as of June 30, 2010 and the related consolidated statements of activities, changes in net assets, functional expenses and cash flows for the year then ended. These consolidated financial statements are the responsibility of Lifespire, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Lifespire, Inc. and Subsidiary as of June 30, 2010 and the consolidated changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

ERE LLP

New York, NY
 November 29, 2010

June 30,	2010
Assets:	
Cash and cash equivalents	\$ 19,420,012
Investments	2,799,021
Accounts receivable - net of allowance for doubtful accounts of \$18,265	340,662
Accrued income receivables	18,180,559
Due from related parties	900,715
Security deposits and prepaid expenses	790,781
Assets restricted to investment in property, plant and equipment	8,478,975
Property, plant and equipment - net of accumulated depreciation of \$18,976,102	19,956,497
Deferred charges - net of accumulated amortization for bond issuance costs of \$629,378	1,312,212
Total Assets	\$ 72,179,434
Liabilities and Net Assets:	
Liabilities:	
Accounts payable and accrued expenses	\$ 10,143,511
Accrued payroll	4,509,632
Accrued compensated absences	2,689,201
Recoupments payable	4,995,309
Deferred income	2,281,470
Due to funding sources	243,684
Mortgages payable - DASNY	3,723,764
Underfunded pension obligation	9,066,853
Underfunded health insurance obligation	4,098,016
Notes payable	1,162,182
Bond payable - DASNY	6,125,000
Bonds payable - IDA	10,125,000
Total Liabilities	59,163,622
Net Assets:	
Unrestricted - undesignated	7,668,896
Unrestricted - board designated	1,093,486
Unrestricted - related party receivables	900,715
Unrestricted - property, plant and equipment	3,287,785
Total Unrestricted Net Assets	12,970,882
Temporarily restricted	44,930
Total Net Assets	13,015,812
Total Liabilities and Net Assets	\$ 72,179,434

The accompanying notes are an integral part of these financial statements.

LIFESPIRE, INC. AND SUBSIDIARY
(A Not-for-Profit Organization)

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30,	2010
Support and revenue - program operations:	
Program service fees	\$ 99,181,886
Participants' share of room and board	3,088,080
Subcontract	498,829
MCFAA and DASNY bond fees	802,079
Subtotal - support and revenue - program operations	103,570,864
Net assets released from restrictions	16,652
Total support and revenue - program operations	103,587,506
Expenses:	
Program services	97,140,153
Management and administration	6,430,085
Total expenses	103,570,238
Change in unrestricted net assets before other revenue and prior period revenue	17,268
Other revenue:	
Interest income	226,897
Contributions and fundraising	11,912
Unrealized loss on investments	(3,586)
Miscellaneous	12,672
Total other revenue	247,895
Changes in unrestricted net assets before prior period revenue	265,163
Prior period revenue	1,597,096
Increase in unrestricted net assets	1,862,259
Changes in temporarily restricted net assets:	
Donors	8,025
Grants	10,000
Net assets released from restrictions	(18,652)
Change in temporarily restricted net assets	1,373
Increase in net assets	1,863,632
Net assets - beginning of year	11,152,180
Net assets - end of year	\$ 13,015,812

The accompanying notes are an integral part of these financial statements.

LIFESPIRE, INC. AND SUBSIDIARY
(A Not-for-Profit Organization)

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

Year ended June 30,	2010
Unrestricted net assets - beginning of the year	\$ 11,108,623
Increase in unrestricted net assets	1,862,259
Unrestricted net assets - end of year	12,970,882
Temporarily restricted net assets - beginning of the year	43,557
Increase in temporarily restricted net assets	1,373
Temporarily restricted net assets - end of year	\$ 44,930

The accompanying notes are an integral part of these financial statements.

LIFESPIRE, INC. AND SUBSIDIARY
(A Not-for-Profit Organization)

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2010	Program Services				Total Program Services	Management and General	Total Expenses
	Walver Services	Residential	Mental Health	Other Programs			
Salaries	\$ 18,899,486	\$ 18,881,032	\$ 973,907	\$ 3,314,300	\$ 42,068,725	\$ 2,603,025	\$ 44,671,750
Payroll taxes and benefits	7,747,536	7,247,856	338,034	1,183,087	16,516,513	821,387	17,337,900
Total personnel costs	26,647,022	26,128,888	1,311,941	4,497,387	58,585,238	3,424,412	62,009,650
Professional fees and contracted services	701,946	855,523	2,625	3,778,097	5,338,191	961,444	6,299,635
General and professional liability insurance	826,154	372,521	85,823	182,772	1,467,270	203,926	1,671,196
Supplies and expenses:							
Food, household supplies and services	214,204	2,210,015	2,178	28,551	2,454,948	22,669	2,477,617
Rent and real estate taxes	2,823,217	2,400,179	162,394	417,995	5,803,785	795,939	6,599,724
Transportation	10,901,813	1,135,680	62,041	374,990	12,474,534	164,198	12,638,730
Utilities and telephone	671,431	842,639	133,230	128,477	1,975,777	132,326	2,108,103
Maintenance and repair	257,151	434,747	13,733	32,007	737,638	38,412	776,050
General	768,467	1,325,583	85,881	1,301,476	3,501,407	601,760	4,103,167
Bond related expense	36,566	72,737	-	1,995	111,298	5,706	117,004
Total expenses before interest, fees and bond expense and depreciation and amortization	44,067,991	35,778,522	1,859,826	10,743,747	92,450,086	6,350,790	98,800,876
Interest, fees and bond expense	553,300	1,608,176	-	110,198	2,271,674	17,555	2,289,229
Depreciation and amortization	969,164	1,287,466	15,537	146,206	2,418,393	61,740	2,480,133
Total Expenses	\$ 45,590,475	\$ 38,674,164	\$ 1,875,363	\$ 11,000,151	\$ 97,140,163	\$ 6,430,085	\$ 103,570,238

The accompanying notes are an integral part of these financial statements.

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LIFESPIRE, INC. AND SUBSIDIARY
(A Not-for-Profit Organization)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended June 30,	2010
Cash flows from operating activities:	
Increase in net assets	\$ 1,863,632
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	2,480,133
Amortization of bond issue costs	96,771
Unrealized loss on investments	3,586
Bad debt expense	(841)
Loss on disposal of asset	1,625
Changes in operating assets and liabilities:	
Increase in investments	(63,154)
Increase in accounts receivable	(99,781)
Decrease in accrued income receivables	1,765,586
Increase in due from related parties	(71,091)
Decrease in security deposits and prepaid expenses	272,381
Increase in deferred charges	(393,742)
Increase in accounts payable and accrued expenses	1,742,266
Increase in accrued payroll	2,440,324
Decrease in accrued compensated absences	(106,561)
Increase in underfunded pension obligation	462,559
Increase in underfunded health insurance obligation	775,542
Net cash provided by operating activities	11,179,235
Cash flows from investing activities:	
Purchase of investments	(3,827,026)
Proceeds from sale of investments	3,454,513
Purchase of property, plant and equipment	(757,774)
Reinvested investment activity	(34,794)
Increase in assets restricted to investment in property, plant and equipment	(224,072)
Net cash used in investing activities	(1,389,153)
Cash flows from financing activities:	
Increase in recoupments payable	10,810
Repayments of mortgages payable - DASNY	(489,575)
Proceeds from notes payable	1,425,141
Repayment of notes payable	(5,416,082)
Proceeds from bond payable - DASNY	6,125,000
Repayments of bond payable - DASNY	(30,000)
Repayments of bonds payable - IDA	(1,105,000)
Net cash provided by financing activities	520,294
Net increase in cash and cash equivalents	10,310,376
Cash and cash equivalents, at beginning of year	9,109,636
Cash and cash equivalents, at end of year	\$ 19,420,012
Non Cash Investing and Financing Activities:	
Unrealized loss on investments	\$ 3,586
Supplemental Disclosures of Cash Flow Information:	
Cash paid during the year for:	
Interest	\$ 576,212
Income taxes	\$ -

The accompanying notes are an integral part of these financial statements.

LIFESPIRE, INC. AND SUBSIDIARY
(a Not-for-Profit Organization)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2010

1. ORGANIZATION,
TAX STATUS AND
SIGNIFICANT
ACCOUNTING
POLICIES:

Organization

Lifespire, Inc. (the "Agency") serves individuals with disabilities and their families through various programs which include, but are not limited to, residential, habilitation and day programs. The Agency is funded through government programs, consumer contributions and gifts. It is the Agency's aim to provide individuals with disabilities the assistance and support necessary to achieve a level of functional behaviors and cognitive skills to enable them to maintain themselves in their community in the most integrated and independent manner possible.

Principles of Consolidation

The consolidated financial statements include the accounts of the Agency and its wholly owned subsidiary, Manhattan Management Solutions, LLC (the Organization). Manhattan Management Solutions, LLC was established to provide consulting services to other not-for-profit organizations. The Organization is being consolidated since the Agency has both an economic interest in and control over the Organization through a majority voting interest in its governing board. During the fiscal year ended June 30, 2010, the Organization was dormant with no activity taking place.

Tax Status

The Agency is organized under the not-for-profit corporation law of the State of New York. The Agency has been granted exemption from federal income taxation pursuant to Section 501(c)(3) of the Internal Revenue Code and is deemed to be a public charity pursuant to the Internal Revenue Service.

Effective December 15, 2009, the Agency adopted the new accounting standard for uncertainty in income taxes. The standard prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in the financial statements. It also provides guidance for de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The adoption of the accounting standards did not have an impact on the Agency's financial statements.

In assessing the realizability of tax benefits, management considers whether it is more likely than not that some portion or all of any tax position will not be realized. The ultimate realization of such tax positions is dependent upon the generation of future income. Management considers projected future income, and tax planning strategies in making this assessment. Based upon the level of historical income and projections for future income, management believes it is more likely than not that the Agency will realize all tax benefits. Management believes that its tax-exempt status would be sustained upon examination.

If applicable, the Agency would classify interest and penalties on underpayments of income tax as miscellaneous expenses.

The Agency does not expect a significant increase or decrease to the total amounts

LIFESPIRE, INC. AND SUBSIDIARY
(a Not-for-Profit Organization)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2010

of unrecognized tax positions during the fiscal year ended June 30, 2010. However, the Agency is subject to regular audit by tax authorities. The Agency believes that it has appropriate support for the positions taken on its tax returns. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued for each year.

The Agency files income tax returns in the United States federal and New York state jurisdictions. With few exceptions, the Agency is no longer subject to U.S. federal or state income tax examinations by tax authorities for fiscal years before 2007.

Financial Statement Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America.

The classification of an organization's net assets and its support, revenues and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the three classes of net assets - permanently restricted, temporarily restricted, and unrestricted - be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

Permanently Restricted - Net assets resulting from (a) contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organization, (b) other asset enhancements and diminishments subject to the same kinds of stipulations, and (c) reclassifications from (or to) other classes of net assets as a consequence of donor-imposed stipulations.

Temporarily Restricted - Net assets resulting from (a) contributions and other inflows of assets the use of which is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the organization pursuant to those stipulations, (b) other asset enhancements and diminishments subject to the same kinds of stipulations, and (c) reclassifications to (or from) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time, or their fulfillment and removal of actions of the organization pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets. However, if a restriction is fulfilled in the same time period in which the contributions are received, the Agency reports the support as unrestricted.

LIFESPIRE, INC. AND SUBSIDIARY
(a Not-for-Profit Organization)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2010

Unrestricted Net Assets - The part of net assets that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Estimates

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

Subsequent Events

Management has reviewed subsequent events and transactions that occurred after the balance sheet date through the auditors' report date and date of issuance. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no non-recognized subsequent events that require additional disclosure.

Risks and Uncertainties

The Agency has a Pension Plan (the "Plan") that invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and such changes could materially affect the amounts reported in the Consolidated Statement of Financial Position.

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Agency considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents, except for those money market funds and short-term certificates of deposit which are included in investments. Included in cash and cash equivalents as of June 30, 2010 are several amounts of restricted cash.

Investments

The Agency carries its investments at fair value. In accordance with accounting standards, investments have been measured at fair value determined by quoted market prices and realized and unrealized gains and losses are reported in the Consolidated Statement of Activities. Income from investments is considered unrestricted net assets unless restricted by a donor. Management reviews its

LIFESPIRE, INC. AND SUBSIDIARY
(a Not-for-Profit Organization)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2010

investments for declines other than temporary.

Valuation of Investment in Securities at Fair Value-Definition and Hierarchy

Effective January 1, 2008, the Agency adopted fair value measurement standards. Under these standards, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The accounting standards establish a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring the most observable units be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Agency. Unobservable inputs reflect the Agency's assumption about inputs market participants at the measurement date. The fair value hierarchy is categorized into three levels based on inputs as follows:

Level 1- Valuation based on quoted prices in active markets for identical assets or liabilities that the Cooperative has the ability to access.

Level 2- Valuation based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3- Valuation based on inputs that are unobservable and significant to the overall fair value measurement.

The Agency's investment consists of bank certificates of deposit and money market funds. The Agency uses the Level 2 fair value hierarchy in the valuation of these securities.

Accounts Receivable - Net

All known uncollected accounts receivable have been written down to the collectible value as of June 30, 2010. In addition, there exists a reserve for doubtful accounts of \$18,265 as of June 30, 2010 for accounts receivable. The allowance for doubtful accounts is established through provisions charged against income and is maintained at a level believed adequate by management to absorb estimated bad debts based on current economic conditions. Management uses 5% of subcontract accounts receivable as the basis for the calculation of allowance for doubtful accounts.

Accrued Income Receivables and Program Service Fees

The Agency receives a major portion of its program service fees from Medicaid in conjunction with the New York State Office for People With Developmental Disabilities, OPWDD (formally OMRDD). Program service fees are also received from the Social Security Administration and directly from OPWDD (formally OMRDD). Rates of reimbursement derived from cost based methodologies are established annually by OPWDD (formally OMRDD). Substantially all of the

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accrued income receivables of \$18,180,559 are due from these governmental agencies.

There is no provision within these financial statements for any possible contingent liability that may result from any disallowances as a result of reimbursement rate adjustments for program service fees relating to the year ended June 30, 2010. Although such possible disallowances could be substantial in amount, in the opinion of management, any actual disallowance would be immaterial.

Property, Plant and Equipment

Property and equipment is stated at cost less accumulated depreciation. Maintenance and repairs are charged to expense as incurred; major improvements are capitalized in accordance with funding source guidelines. For those items that are not paid for by funding sources, the Agency maintains a policy to capitalize those costing in excess of \$5,000. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the term of the lease.

The Agency reviews long-lived assets to determine whether there has been any permanent impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable. If the sum of the expected future discounted cash flows is less than the carrying amount of the assets, the Agency recognizes an impairment loss. No impairment losses were recognized for the year ended June 30, 2010.

Deferred Income

The Agency records unearned advances to fee for service revenue as deferred revenue until it is expended for the purpose of the funding source, at which time it is recognized as revenue. The balance in deferred revenue as of June 30, 2010 represents amounts received for various programmatic operations that will be recognized as revenue in the future, as it is earned.

Bond Costs

Bond costs which reflect bond premiums and discounts are amortized over the life of the bonds. Amortization expense of these costs for the year ended June 30, 2010 is \$96,771. These costs are included in interest, fees and bond expense of \$2,289,229 shown on the Consolidated Statement of Functional Expenses.

Contributions

Contributions - Contributions are considered to be available for unrestricted use unless specifically raised for special purposes or designated by the donor.

Restricted Contributions - The Agency reports gifts of cash and other assets as 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,

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temporarily restricted net assets are reclassified to unrestricted net assets and reported in the same statement of activities as net assets released from restrictions. If the restriction will be satisfied within one year, then the Agency would record the contribution as temporarily restricted net assets and reallocate to unrestricted net assets when the restriction is satisfied.

In-Kind Contributions

In-kind contributions consist of property and services donated by state agencies and individuals. The value placed by the state agencies and individuals are used for valuing the contribution received. These properties were recorded as unrestricted and the related depreciation taken was recorded as unrestricted. If no value is provided by donor, an estimated value is placed by the Agency.

Start-Up Costs

Certain costs related to the organization of a new entity, a new business line or product or location are expensed as incurred. This position is followed by the Agency and the funding source which governs the program for which such start up expenses were incurred.

Revenue Recognition

Support and revenue is recognized on a fee for service basis for service arrangements with various consumers and/or customers. Revenue is recognized contingent to services being rendered. The reimbursements received from certain funding sources are subject to reconciliations. The funding sources may request return of reimbursements for noncompliance.

Contributed Services

Time is donated to the Agency by various volunteers. The value of this time is deemed to be immaterial, and therefore has not been reflected in the accompanying consolidated financial statements.

Rent Expense

Rent expense is recognized based upon the obligations required by the leases as the funding sources fully reimbursed the Agency for rent expense for the year ended June 30, 2010. This is a departure from generally accepted accounting principles which requires that rent expense be recognized on a straight-line basis over the term of the lease. The dollar value of this difference was deemed to be immaterial and no adjustment was made. Pursuant to the Agency's funding regulations, any amounts recorded result in additional income being recorded to offset the additional rental expense incurred. Rent expense for the year ended June 30, 2010 was \$6,345,192.

Advertising

Advertising costs are expensed as incurred. Advertising expense totaled \$214 for the year ended June 30, 2010, and is included in general expenses in the accompanying Consolidated Statement of Functional Expenses.

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Special Events

The direct costs of special events include expenses for the benefit of the donor. For example, meals and facilities rental are considered direct costs of special events. During the fiscal year ended June 30, 2010, the Agency did not incur any special events expenses due to no such events being held.

Functional Allocation of Expenses

The costs of providing for the programs are summarized on a functional basis in the statement of functional expenses. Expenses that can be directly identified with the program or supporting service to which they relate are charged accordingly. Other expenses by function have been allocated among program and supporting services classifications using bases determined by management to be reasonable.

2. CASH AND CASH EQUIVALENTS:

The Agency considers all highly liquid financial instruments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents are held in interest bearing checking and savings accounts at financial institutions. As of June 30, 2010, total cash and cash equivalents of \$19,420,012 included restricted cash amounts comprised of the following:

Restricted cash	6/30/10
Temporarily restricted contributions	\$ 44,930
403(b) tax sheltered annuity plan	75,860
Health Reimbursement Accounts	3,309,553
	\$ 3,430,343

3. INVESTMENTS:

For the year ended June 30, 2010, the Agency's investments (including gains and losses on investments bought, sold and held during the year) depreciated in value by \$3,586 resulting in a fair market value of \$2,799,021 as follows:

	6/30/10	
	Cost	Fair Value
<u>Bank Certificates of Deposit:</u>		
Bank of America	\$ 903,168	\$ 903,168
UBS Financial Services	2,483	88
Smith Barney	1,158,825	1,154,468
Chase	341,917	345,083
Total Bank Certificates of Deposit	2,404,143	2,402,807
Chase and HSBC Money Market Funds	396,213	396,214
	\$ 2,800,356	\$ 2,799,021

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	6/30/10
Fair market value - beginning of year	\$ 2,342,145
Investment activity:	
Interest/dividends and fees	53,305
Fees	(150)
Reinvestments	34,794
Purchases	3,827,026
Sales (at cost)	(3,454,513)
	2,802,607
Net decrease in fair value of investments:	
Unrealized loss	(3,586)
Total net decrease in fair value of investments	(3,586)
Fair market value - end of year	\$ 2,799,021

4. FAIR VALUE MEASUREMENTS:

The following tables present by level, within the fair value hierarchy, the Agency's unrestricted investment assets at fair value, as of June 30, 2010. As required by fair value measurement accounting standards, investment assets are classified in their entirety based upon the lowest level of input that is significant to the fair value measurement.

The Agency did not have any investment assets at fair value classified within Level 1 or Level 3 as of June 30, 2010.

	Total	Quoted Market Prices in Active Market Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of Deposit	\$ 2,402,807	\$ -	\$ 2,402,807	\$ -
Money Market Funds	396,214	-	396,214	-
	\$ 2,799,021	\$ -	\$ 2,799,021	\$ -

Following is a description of the valuation methodologies used for assets at fair value:

Certificate of deposit: The market value of a certificate of deposit is estimated using a matrix based on interest rates.

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Money market funds: Prices are received from various pricing services. Instances where pricing sources are not readily available, estimated prices may be generated by a matrix system or market-driven pricing model.

5. DUE FROM RELATED PARTIES:

The Agency is owed \$900,715 from three not-for-profit related parties as follows:

The first is an amount of \$174,124 due from its HUD affiliate and includes \$33,921 of non-interest bearing loans used for operational purposes. An amount of \$15,000 was repaid to the Agency in July 2010. The Agency also has a note receivable of \$140,203 due from this related party dating back a number of years. Based on discussion with HUD officials, the Agency was not permitted to charge interest. The Agency expects to be repaid when the entity has sufficient cash flow available. This entity paid the Agency a management fee of \$12,672 for the year ended June 30, 2010 as required by HUD. The Agency is a related party in that certain staff members of the Agency are also Board members of this other non-for-profit HUD organization.

For the second entity, there is a note receivable which was executed on April 30, 2010 in an amount of \$689,901. This amount represents the aggregate principal and interest as of April 30, 2010 which was previously loaned to the entity by the Agency. There is no further interest to be charged after April 30, 2010. The entity is obligated to pay the outstanding indebtedness in twenty-five equal annual installments of \$27,596 on or before April 30th of each year. During the current fiscal year, a payment of \$27,596 was made to the Agency as a partial repayment. The total outstanding balance of the note due to the Agency as of June 30, 2010 amounted to \$662,305. There is also a loan amount of \$55,500 due from this entity as of June 30, 2010 which accrues interest at a rate of 6 percent per annum. There is an amount of \$8,786 of accrued interest which is owed to the Agency as of June 30, 2010, and is included in this balance. The Agency is a related party in that the Board members of the entity are also Board members of the Agency.

The third entity provides space to the Agency for the operation of one of its community rehabilitation programs. In lieu of rent, the Agency maintains and improves the building, as needed. The entity paid the Agency \$35,101 for reimbursement for the salary of three of its employees who provide service to the entity. The entity also sells its inventory to the Agency at cost and pays for outsourced labor to the Agency. The Agency is a related party in that certain staff members of the Agency are also Board members of this other not-for-profit corporation.

Management periodically reviews the related party accounts to determine if an allowance is necessary. The related party receivables have been adjusted for all known uncollectible accounts. For the year ended June 30, 2010, no allowance was necessary because the related party receivables were determined to be fully collectible.

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6. ASSETS RESTRICTED TO INVESTMENT IN PROPERTY, PLANT AND EQUIPMENT: As of June 30, 2010, the Agency had the following assets restricted to investment in property, plant and equipment:

Debt Service Reserve - MCFFA (DASNY)	\$ 401,875
Debt Service Reserve/Escrow Balance - IDA - Bond 2002	845,857
Debt Service Reserve/Escrow Balance - IDA - Bond 2004	1,215,363
Debt Service Reserve/Escrow Balance - IDA - Bond 2008	770,769
Debt Service Reserve - DASNY - Bond 2010	249,802
Cash - Recoupment's Payable	4,995,309
	<u>\$ 8,478,975</u>

The debt service reserve - MCFFA amount of \$401,875 represents a portion of the loan proceeds retained by the New York State Medical Care Facilities Finance Agency (MCFFA) under the terms and conditions in the loan agreement.

The monies are designated to be applied to scheduled debt service payments in the future. In 1996, the debt service reserve amounts were transferred to the Dormitory Authority of the State of New York (DASNY).

The debt service reserve/escrow balance - IDA - Bond 2002 amount of \$845,857 represents a portion of the loan proceeds, in addition to subsequent payments made by the Agency, that were deposited into accounts setup with the Bank of New York. The Agency's monthly payments are deposited into one of these accounts until payments to the bondholders are required pursuant to the agreement (refer to Note 15 for more detail).

The debt service reserve/escrow balance - IDA - Bond 2004 amount of \$1,215,363 represents a portion of the loan proceeds, in addition to subsequent payments made by the Agency, that were deposited into accounts setup with the Bank of New York. The Agency's monthly payments are deposited into one of these accounts until payments to the bondholders are required pursuant to the agreement (refer to Note 15 for more detail).

The debt service reserve/escrow balance - IDA - Bond 2008 amount of \$770,769 represents a portion of the loan proceeds, in addition to subsequent payments made by the Agency, that were deposited into accounts setup with the Bank of New York. The Agency's monthly payments are deposited into one of these accounts until payments to the bondholders are required pursuant to the agreement (refer to Note 15 for more detail).

The debt service reserve - DASNY 2010 amount of \$249,802 represents the portion of loan proceeds retained by Dormitory Authority of the State of New York (DASNY) InterAgency Council Pooled Loan Program under the terms and conditions in the loan agreement.

The cash amount of \$4,995,309 represents various amounts received from funding

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7. TEMPORARILY RESTRICTED NET ASSETS:

sources that will be used to pay amounts included within recoupment's payable.

The changes in contributions, which comprise the Agency's temporarily restricted net assets for the year ended June 30, 2010, which are available for use in future years, were as follows:

	Balance 07/01/09	Additions	Expenditures	Balance 06/30/10
Program	\$ 43,557	\$ 18,025	\$ (16,652)	\$ 44,930

The funds released from restrictions were used towards operating expenses for one of the Agency's Intermediate Care Facility properties.

8. PROPERTY, PLANT AND EQUIPMENT:

As of June 30, 2010, detailed information is as follows:

	Cost	Estimated Useful Lives
Land	\$ 4,509,267	-
Buildings and improvements	22,656,552	5-20 Years
Furniture and equipment	2,769,048	5 Years
Vehicles	648,532	4 Years
Leasehold improvements	8,200,909	10-20 Years
	<u>38,784,308</u>	
Less: accumulated depreciation and amortization	(18,976,102)	
Construction in progress	148,291	
	<u>\$ 19,956,497</u>	

The above amounts include land and buildings which were donated to the Agency by OPWDD (formally OMRDD). The Agency is subject to adhering to certain terms, conditions and restrictions as to the use and ultimate disposition of these properties as further delineated in the disposition and subordination agreements entered into with the funding source.

Depreciation and amortization expense for the year ended June 30, 2010 is \$2,480,133.

9. RECOUPMENTS PAYABLE:

The amount of \$4,995,309 consists of amounts of reimbursement received from certain funding sources, which are in excess of amounts earned, and amounts for which the scheduled recoupment differs from the actual recoupment made through June 30, 2010. The funding sources are expected to recover these amounts in the future through the recoupment process.

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10. DEFERRED INCOME: Deferred income of \$2,281,470 include amounts received from various funding sources over the years for various programmatic operations but not earned as revenue as of June 30, 2010. Some of these liabilities relate to the New York State Office for People With Developmental Disabilities (OPWDD), (formally OMRDD). These liabilities do not bear interest and will be recognized as revenue periodically in the future as it is deemed to be earned.

11. DUE TO FUNDING SOURCES: The due to funding sources amount of \$243,684 includes an amount of \$8,966, which represents various maximum potential contested liabilities for proposed contract adjustments with certain funding sources for prior periods.

The balance of \$234,718 represents a liability due back to OPWDD (Formally OMRDD) as a result of certain "desk-audits" performed on certain programs by OPWDD (Formally OMRDD). These "desk-audits" were the result of a statewide requirement by OPWDD (Formally OMRDD) and other governmental agencies, due to the clarification and revisions of certain policies and procedures set forth by OPWDD and these other governmental agencies.

12. MORTGAGES PAYABLE - DASNY: Mortgages payable - DASNY amounting to \$3,723,764 represent self-liquidating term notes owed to the Dormitory Authority of the State of New York (DASNY) which has as its agent OPWDD (formally OMRDD). Some of the notes were originally related to New York State Medical Care Facilities Finance Agency (MCFFA) improvement bonds loaned to the FDC. The DASNY is the successor to the MCFFA and in 1996 FDC projects were transferred to DASNY. In 1996, the MCFFA bonds were refunded by the issuance of DASNY Mental Health Services Facilities Improvement Revenue Bonds.

Periodic recoupments are expected to continue to be made by OPWDD (Formally OMRDD) from the Agency, for remittance to FDC to satisfy the debt service and administration fees. The payments are first applied to interest and then to principal. The Agency has and/or will receive additional amounts of reimbursement as an increase to its per diem rates to repay these recoupments. The notes are collateralized by (1) the real property located at each of the sites (2) all accounts receivable generated from billings related to the respective locations and (3) all personal property owned by the Agency located at each of the sites. The Agency is entitled to credits in an amount equal to the past accrued interest earned on the Debt Service Reserve Fund for some of the above-mentioned liabilities. When such credits are determined and applied to the corresponding mortgages, then those mortgage liabilities will be reduced accordingly.

Additional information for the mortgages payable - DASNY is reflected below:

Project Name	Maturity Date	Fixed Interest Rate	Total
Racal Court	2/15/13	7.37%	\$ 126,750
South Ave.	8/15/15	7.68%	157,741
213-233 48 th St. (Sunset I)	2/15/18	7.34%	723,185
87-21 121 st St. (Queens)	2/15/18	6.41%	1,870,250
Jumel	8/15/18	6.41%	700,750
Esplanade	2/15/11	5.44%	40,450
208th St.	8/15/10	5.81%	36,589
94th St.	8/15/10	5.81%	68,049
Total Mortgages Payable - DASNY			\$ 3,723,764

The Mortgage balances for 213-233 48th Street and 87-21 121st Street locations are for the Day Treatment and Day Habilitation Programs. Commencing with the fiscal year ended June 30, 2004, OPWDD (formally OMRDD) allocates a portion of the bond (mortgage) payable to a separate Day Habilitation MMIS Provider number for debt recovery purposes. However, the total indebtedness does not change.

13. NOTES PAYABLE:

The Agency has a line of credit agreement with J.P. Morgan Chase for a maximum of \$5,000,000 that is due March 15, 2011. The proceeds of the line of credit were to be used for operating expenses. Interest is charged to the line of credit at the bank's floating rate of prime plus 0.5% and is secured by a lien on Agency government receivables. These government receivables totaled \$18,180,559 at June 30, 2010. There was no outstanding balance as of June 30, 2010.

Under the terms of a line of credit agreement with Bank of America on March 31, 2010, the Agency may borrow up to \$5,000,000 at the bank's prime interest rate plus 0.5% through March 31, 2011, when the agreement expires. The Agency's property has been pledged as collateral against any advances on the line of credit. As of June 30, 2010, there was an outstanding balance of \$1,162,182.

14. BOND PAYABLE - DASNY:

Bond payable DASNY amounting to \$6,125,000 represent amounts owed relating to the DASNY InterAgency Council Pooled Loan Program Revenue Bond Resolution, Series 2010A, subseries 2010A-1 and 2010A-2 (the "Bonds"). Please refer to the Bond Offering Statement dated March 31, 2010 for additional information.

The Agency used the Bond proceeds to refinance \$5,485,795 of indebtedness on seven properties. The interest rate is not to exceed 7.5 percent on the Series 2010A Bonds. The interest is payable to the bondholders on a semi-annual basis commencing on August 1, 2010. The cost of the Bond issuance amounted to \$315,226 which will be amortized over the life of the Bond.

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Payments of interest and principal under the Loan Agreement are to be made monthly on the 10th day of each month into the Debt Service Reserve Fund by the Agency. On August 1, 2010, the principal amount of \$470,000 will be paid in full by the Agency, as well as all interest and fees associated with the payment, to the bondholders. The Agency satisfied these obligations during June 30, 2010 by virtue of periodic recoupments made by OPWDD (formally OMRDD) from its rates of reimbursement for those programs that are operated at these sites. The principal payment of the consolidated debt owed to the bondholders is as follows:

Due Date	Principal Due
<u>August 1,</u>	
2010	\$ 470,000
<u>July 1,</u>	
2011	470,000
2012	475,000
2013	495,000
2014	410,000
Thereafter	3,805,000
	<u>\$ 6,125,000</u>

The Series 2010A Bonds will be secured ratably by each applicable mortgage, the pledge and assignment to the Trustee of the Revenues and the DASNY's security interest in the Pledged Revenues, subject to Prior Pledges. Please refer to the Bond Offering Statement dated March 31, 2010 for additional information.

The bond payable DASNY requires the Agency to maintain certain financial covenants. At June 30, 2010, the Agency was determined to be in compliance with these covenants.

15. BONDS PAYABLE-IDA:

Bonds payable - IDA totaling \$10,125,000 are made up of the following bonds payable at June 30, 2010:

Series	Due Date	Principal Due
2002 C-1	July 1, 2017	\$ 2,465,000
2004 A-1 and B-1	July 1, 2023	3,600,000
2004 C-1	July 1, 2014	585,000
2008 A-1 and A-2	July 1, 2033	3,475,000
Total IDA Bonds Payable		<u>\$ 10,125,000</u>

Bonds payable - IDA - 2002 amounting to \$2,465,000 represent amounts owed relating to Industrial Development Agency Financing (Special Needs Facility Pooled Program) with the New York City Industrial Development Agency Series 2002 C-1.

The interest rate is based on a life average rate of 7.63176% on the Series 2002 C-1

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Bond (\$2,465,000). The interest is payable to the bondholders on a semi-annual basis commencing on July 1, 2003. The principal is payable to the bondholder on an annual basis also commencing on July 1, 2003. The cost of the bond issuance amounted to \$395,027 (\$380,027 was incurred when the bond closed and \$15,000 was incurred prior to the bond closing), of which \$189,019 was amortized as of June 30, 2010. The costs of issuance are being amortized over the term of the bond obligations.

Payments of interest and principal under the Loan Agreement are to be made monthly and deposited into one of the Agency's Debt Service Reserve accounts (please see Note 6 for more information) until it comes due to pay the bondholders for interest and/or principal.

The principal payments of consolidated debt owed to the bondholders are as follows:

Due Date	Principal Due
<u>July 1,</u>	
2010	\$ 265,000
2011	270,000
2012	270,000
2013	280,000
2014	280,000
Thereafter	1,100,000
	<u>\$ 2,465,000</u>

Bonds Payable - IDA - 2004 amounting to \$4,185,000 represents amounts owed relating to Industrial Development Agency Financing (Special Needs Facility Pooled Program) with the New York City Industrial Development Agency Series 2004 A-1 and B-1, and Series 2004 C-1.

The Agency used the Series A-1 and B-1 bond proceeds to refinance \$4,112,273 of indebtedness on four properties. The interest rate is based on a life average rate of 8.890508% on the Series 2004 A-1 and B-1 (\$3,600,000). The interest is payable to the bondholders on a semi-annual basis commencing on July 1, 2004. The principal is payable to the bondholder on an annual basis also commencing on July 1, 2004.

The cost of the bond issuance amounted to \$685,629 (\$694,975 was incurred when the bond closed less \$9,346 reimbursed after the bond closing), of which \$216,515 was amortized as of June 30, 2010. The costs of issuance are being amortized over the term of the bond obligations.

Payments of interest and principal under the Loan Agreement are to be made monthly and deposited into one of the Agency's Debt Service Reserve accounts (please see Note 6 for more information) until it comes due to pay the bondholders for interest and/or principal.

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The principal payments of consolidated debt owed to the bondholders are as follows:

Due Date July 1,	Principal Due
2010	\$ 355,000
2011	360,000
2012	360,000
2013	215,000
2014	220,000
Thereafter	2,090,000
	<u>\$ 3,600,000</u>

The Agency used the Series C-1 bond proceeds to finance \$805,621 of indebtedness on one property and to pay off a balance due on one line of credit. The interest rate is based on the life average rate of 5.96% on the Series 2004 C-1 (\$585,000). The interest is payable to the bondholders on a semi-annual basis commencing on January 1, 2005. The principal is payable to the bondholders on an annual basis commencing on July 1, 2005. The cost of the bond issuance amounted to \$50,095, of which \$19,917 was amortized as of June 30, 2010. The cost of bond discounts amounted to \$41,281, of which \$23,736 was amortized as of June 30, 2010. The costs of issuance and discounts are being amortized over the term of the Bond obligations.

Payments of interest and principal under the Loan Agreement are to be made monthly and deposited into one of the Agency's Debt Service Reserve accounts (please see Note 6 for more information) until it comes due to pay the bondholders for interest and/or principal.

The principal payments of consolidated debt owed to the bondholders are as follows:

Due Date July 1,	Principal Due
2010	\$ 110,000
2011	110,000
2012	115,000
2013	120,000
2014	130,000
Thereafter	0
	<u>\$ 585,000</u>

Bonds payable - IDA - 2008 amounting to \$3,475,000 represent amounts owed relating to Industrial Development Agency Financing (Special Needs Facility Pooled Program) with the New York City Industrial Development Agency Series 2008 A. These bonds are segregated into Series 2008 A-1 and Series 2008 A-2 (taxable).

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The interest rate is based on a life average rate and is disclosed in the bond agreement. The interest is payable to the bondholders on a semi-annual basis commencing on July 1, 2008. The principal is payable to the bondholder on an annual basis also commencing on July 1, 2008. The cost of the bond issuance amounted to \$265,634 of which \$76,753 was amortized as of June 30, 2010. The costs of issuance are being amortized over the term of the bond obligations. Pursuant to the bond agreement, there is a first lien on the properties being mortgaged except for the facility located at 213 48th Street, Brooklyn which carries a second lien.

Payments of interest and principal under the Loan Agreement are to be made monthly and deposited into one of the Agency's Debt Service Reserve accounts (please see Note 6 for more information) until it comes due to pay the bondholders for interest and/or principal.

The principal payments of consolidated debt owed to the bondholders are as follows:

Due Date July 1,	Principal Due
2010	\$ 370,000
2011	265,000
2012	260,000
2013	260,000
2014	170,000
Thereafter	2,150,000
	<u>\$ 3,475,000</u>

The Agency expects that, periodically, OPWDD (formally OMRDD) will adjust the IRA per diem rate to provide the Agency with the appropriate amount of reimbursement to repay the debt principal, related interest and fees. The Series 2002 C-1, 2004 A-1, B-1, and C-1, as well as Series 2008 A-1 and A-2 bonds will be secured ratably by the pledge and assignment to the Trustee of the Revenues and the IDA's security interest in the pledged revenues, subject to Prior Pledges. Please refer to the Bond Offering Statement dated January 10, 2003 for additional information on Series 2002 Bonds, the Bond Offering Statement dated February 27, 2004 for additional information on the 2004 Series A-1 and B-1 bonds, the Bond Offering Statement dated July 15, 2005 for additional information on the Series 2004 C-1 bonds, as well as the Bond Offering Statement dated January 30, 2008 for additional information on the Series 2008 A1 and A-2 bonds.

The bonds payable IDA requires the Agency to maintain certain financial covenants. At June 30, 2010, the Agency was determined to be in compliance with these covenants.

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(a Not-for-Profit Organization)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2010

16. MATURITIES OF DEBT TO THIRD PARTIES:

Approximate maturities of short-term and long-term debt are as follows:

June 30,		
2011	\$	3,784,879
2012		2,163,725
2013		2,200,175
2014		2,103,025
2015		1,954,766
Thereafter		16,449,839
	\$	28,656,409

The short-term and long-term debt is comprised of the following:

Recoupments Payable	\$	4,995,309
Deferred Income		2,281,470
Due to Funding Sources		243,684
Mortgages Payable – DASNY		3,723,764
Bonds Payable – DASNY		6,125,000
Bonds Payable – IDA		10,125,000
Notes Payable		1,162,182
	\$	28,656,409

17. BOARD DESIGNATED FUND:

The board designated fund (the Fund) is used to account for certain assets of the Agency which are earmarked for future programmatic expansion purposes. The Fund is used to help alleviate the ongoing financial pressure due to the timing of the collection of government funding, the limitation of available government funding and to supplement fund raising activities. The Agency has minimal monthly cash needs of approximately \$8,500,000 to finance its programmatic operations.

18. PRIOR PERIOD REVENUE:

The prior period revenue of \$1,597,096 is primarily comprised of typical retroactive rate adjustments attributable to various programs.

19. DEFINED BENEFIT PENSION PLAN:

The Agency has a defined benefit pension plan covering all of its eligible employees. The benefits are based on years of service and the employee's highest five years of compensation during the last ten years of employment. The Agency's funding policy is to contribute annually the required amount that should be deducted in accordance with federal income tax guidelines. The Agency's contributions for calendar year 2009 exceeded the minimum funding requirements of ERISA.

Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future. The employer contributions amounted to \$1,162,517 and the benefits paid amounted to \$484,707 during the fiscal year ended June 30, 2010. The Agency expects to contribute \$1,160,000 to its pension plan in the fiscal year ended June 30, 2011.

LIFESPIRE, INC. AND SUBSIDIARY
(a Not-for-Profit Organization)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2010

Prior to June 30, 1993, the amount expensed in the employer's financial statements for a qualified defined benefit pension plan was generally equal to the amount contributed. Under new accounting standards, this is no longer true. IRS rules continue to govern the determination of the annual required employer contributions. These accounting standards, completely independent of IRS funding guidelines, now govern the determination of the amount that must be expensed each year. There is no connection between the two sets of requirements. Amounts expensed may be higher or lower than actual dollar contributions.

According to actuarial projections, the existing funding policy contribution amount is not sufficient to cover the cost of the plan over next several years. During the year ended June 30, 2010, the board of the Agency decided to freeze the pension plan effective December 31, 2010. This curtailment resulted in a reduction in the required underfunded pension obligation of \$5,044,643 as of June 30, 2010.

Under the accounting standards, a liability (underfunded pension obligation) is disclosed at fiscal year end. The underfunded pension obligation is a compilation of the excess of total past and future amounts expensed to date over past amounts contributed. Since amounts expensed each year were not consistent with the accounting standards' requirements, there is a cumulative amount totaling \$9,066,853 of underfunded pension obligation as of June 30, 2010.

The following table sets forth the plan's funded status and amounts recognized in the Agency's statement of financial position at June 30, 2010:

Benefit obligation as of June 30, 2010	\$	(26,913,789)
Plan assets at fair value at end of measurement period primarily listed stocks and U.S. bonds		17,846,936
Funded Status at June 30, 2010		(9,066,853)
Underfunded Pension Obligation	\$	(9,066,853)

The accumulated benefit obligations for the year ended June 30, 2010 was \$26,804,602.

Net pension cost for the fiscal year ended June 30, 2010 included the following components:

Service cost	\$	1,115,731
Interest cost		1,679,008
Expected return on plan assets		(1,279,118)
Amortization of loss and prior service cost		615,712
Curtailment loss		421,181
Net periodic pension cost	\$	2,552,817

LIFESPIRE, INC. AND SUBSIDIARY
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2010

Assumptions Weighted Average

Discount Rate	5.85%
Expected Long Term Return on Plan Assets	8.00%
Rate of Compensation Increase	2.50%

The pension plan asset allocations, along with respective dollar values and fair value measurements, at June 30, 2010, by asset category are as follows:

Asset Category	Percentage of Plan Assets	Dollar Amount	Fair Value Measurement
Equity securities	62%	\$ 11,065,100	Level 1
Fixed income	33%	5,889,489	Level 2
Other	5%	892,347	Level 2
	100%	\$ 17,846,936	

Expected Future Benefits

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

Fiscal Year Beginning July 1,	Pension Benefits
2010	\$ 581,181
2011	649,504
2012	746,219
2013	866,634
2014	955,911
Thereafter	6,692,559
	\$ 10,492,008

20. POSTRETIREMENT HEALTH CARE BENEFIT PLAN:

The Agency sponsors a defined benefit postretirement health care benefit plan.

Plan Provisions

Retired Prior to January 1, 2000

For certain long-service employees, the plan will pay the monthly premium for the participant (and eligible spouse) to continue coverage under the pre-2000 postretirement plan.

Retired January 1, 2001 and Later

For employees who retire on or after age 65 with at least 20 years of service, the Agency will enroll the retiree and eligible spouse in an AARP Medicare Supplement plan and contribute the following towards such coverage (for each retiree and eligible spouse):

LIFESPIRE, INC. AND SUBSIDIARY
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2010

- 20 years of service	Plan E	-\$130.25 per month
- 25 years of service	Plan G	-\$152.25 per month
- 30 years of service	Plan I	-\$259.00 per month

For employees who retire between ages 62 and 65, with the requisite years of service, the Agency will contribute, as per the above schedule, towards coverage under the current active employee's plan, until Medicare eligibility. At that time, the retiree will be treated in the same fashion as a post-65 retiree.

If an eligible spouse is not Medicare eligible, the Agency will contribute towards coverage under the current active employees' plan in an amount based on the retiree's service as described above.

Determination of the Net Periodic Benefit Cost for the Fiscal Year

July 1, 2009 through June 30, 2010:

(1) Service Cost	\$ 202,172
(2) Interest Cost	225,654
(3) Amortization:	
(a) Transition obligation	-
(b) Prior service cost	63,914
(c) (Gain)/Loss	-
(d) Total amortization	63,914
(4) Net periodic benefit cost - July 1, 2009 - June 30, 2010	\$ 491,740

Reconciliation of Funded Status for the Fiscal Year Ended June 30, 2010:

(1) Accumulated postretirement benefit obligation at June 30, 2010	(4,098,016)
(2) Net amount recognized at June 30, 2010	(4,098,016)

Assumptions:

Discount Rates:	
Expense	5.85%
Disclosure	5.85%
Mortality:	RP 2000 Separate Annuitants and Non-Annuitants Mortality Table projected to 2010 for males and females
Claim cost:	Monthly premium
Trend:	None

LIFESPIRE, INC. AND SUBSIDIARY
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2010

Expected Future Benefit Payments:

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

Fiscal Year Beginning July 1,	Postretirement Health Care
2010	\$ 41,454
2010	54,630
2011	71,083
2012	88,434
2013	105,977
Thereafter	886,072
	<u>\$ 1,247,650</u>

21. COMMITMENTS AND CONTINGENCIES:

General

Pursuant to the Agency's contractual relationships with certain funding sources, outside agencies have the right to examine the Agency's books and records which pertain to transactions relating to these contracts. The financial statements do not include a provision for possible disallowances and reimbursements. Management believes that any actual disallowances, if any would be immaterial. In addition, certain agreements provide that certain property, plant and equipment owned by or on loan to the Agency (see Note 8) be utilized by the Agency for its continued ownership, since the costs of such property and equipment were funded under these agreements.

There are certain amounts of real and personal property used by the Agency in its program operations which is owned by New York State and/or other governmental sources. The Agency uses some of these real and personal properties at no cost. The value of the benefit received for use of these real and personal properties is not readily measurable and is not recorded in the financial statements.

The Agency has a number of pending lawsuits against them for a variety of reasons. The alleged claims are being handled by legal counsel and/or by its insurance providers. In the opinion of the Agency's legal counsel, and in the opinion of management, there is no basis to establish a liability for any loss contingency due to lack of merit or insurance coverage exceeding expected settlement amounts. Regardless of the circumstance, the Agency has meritorious defenses and has been directed to defend this matter vigorously.

During current year ended June 30, 2010 the Agency entered into a collective a bargaining agreement with the Civil Service Employees Association, Inc. (CSEA). This agreement will be effective until June 30, 2012. Additional information regarding the agreement can be obtained by contacting Lifespire, Inc. at 350 Fifth Avenue, Suite 301 New York, NY 10118.

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(a Not-for-Profit Organization)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2010

Operating Leases

The Agency is obligated pursuant to real property lease agreements for minimum monthly rentals for its administrative and program operations as follows:

June 30,	
2011	\$ 6,527,763
2012	5,080,969
2013	3,813,412
2014	2,933,548
2015	1,803,523
Thereafter	8,595,606
	<u>\$ 28,754,821</u>

A renewal option allows the Agency, at its sole option, the right to extend some of the leases for an additional five-year period with a predetermined rent base amount with annual rent percentage increases. Various leases have rent escalations in which various predetermined annual percentage increases exist throughout the lease periods. A clause exists whereby, in the event that real estate taxes increase during the term of some of the leases, the Agency shall pay any increases in real estate taxes over the base year.

22. 403(b) TAX - SHELTERED ANNUITY PLAN:

The Agency offers a 403(b) Tax-Sheltered annuity plan for all employees who are eligible and elect to participate. The plan is governed by IRS regulations setting the limits on the amount that employees may contribute and the conditions to withdraw monies from it. The employees each own their individual annuity plan and are responsible for deciding the amount of contributions they wish to make each year (up to the maximum stipulated by the IRS) and how the funds may be invested.

23. CONCENTRATION OF CREDIT RISK:

The Agency has maintained bank balances that often exceed the limit of the Federal Depository Insurance Corporation (FDIC) insurance coverage. The Agency verifies on a quarterly basis the equity strength and profitability of the banks it uses in order to minimize the risk.

The Agency earns its revenue and records related receivables primarily from service fees provided to individuals with developmental disabilities within the New York City area. Major sources of revenue arise from Medicaid and social security payments and state and local assistance payments.

**LIFESPIRE, INC. AND SUBSIDIARY
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June 30, 2009**

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**LIFESPIRE, INC. AND SUBSIDIARY
(A NOT-FOR-PROFIT ORGANIZATION)
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JUNE 30, 2009**

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LIFESPIRE, INC. AND SUBSIDIARY
 (A Not-for-Profit Organization)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
 Lifespire, Inc. and Subsidiary

We have audited the accompanying consolidated statement of financial position of Lifespire, Inc., (a non-profit organization) and Subsidiary as of June 30, 2009 and the related consolidated statements of activities, changes in net assets, functional expenses and cash flows for the year then ended. These consolidated financial statements are the responsibility of Lifespire, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Lifespire, Inc. and Subsidiary as of June 30, 2009 and the consolidated changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

ERE LLP

New York, NY
 November 23, 2009

June 30,	2009
Assets:	
Cash and cash equivalents	\$ 9,109,636
Investments	2,342,145
Accounts receivable - net of allowance for doubtful accounts of \$19,106	929,461
Accrued income receivables	19,946,145
Note receivable from related party	140,203
Security deposits and prepaid expenses	1,063,162
Assets restricted to investment in property, plant and equipment	8,254,903
Property, plant and equipment - net of accumulated depreciation of \$16,499,341	21,880,546
Deferred charges - net of accumulated amortization for bond issuance costs of \$532,607	1,015,241
Total Assets	\$ 64,481,442
Liabilities and Net Assets:	
Liabilities:	
Accounts payable and accrued expenses	\$ 8,401,309
Accrued payroll	2,069,308
Accrued compensated absences	2,795,762
Recoupments payable	4,984,499
Deferred income	2,281,470
Due to funding sources	243,684
Mortgages payable - DASNY	4,213,339
Underfunded pension obligation	8,604,294
Underfunded health insurance obligation	3,322,474
Notes payable	5,153,123
Bond payable - DASNY	30,000
Bonds payable - IDA	11,230,000
Total Liabilities	53,329,262
Net Assets:	
Unrestricted - undesignated	4,811,175
Unrestricted - board designated	1,070,110
Unrestricted - property, plant and equipment	5,227,338
Total Unrestricted Net Assets	11,108,623
Temporarily restricted	43,557
Total Net Assets	11,152,180
Total Liabilities and Net Assets	\$ 64,481,442

The accompanying notes are an integral part of these financial statements.

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LIFESPIRE, INC. AND SUBSIDIARY
(A Not-for-Profit Organization)

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30,	2009
Support and revenue - program operations:	
Program service fees	\$ 92,441,716
Participants' share of room and board	2,967,862
Subcontract	891,201
MCFAA and DASNY bond fees	862,555
Subtotal - support and revenue - program operations	96,963,334
Net assets released from restrictions	5,092
Total support and revenue - program operations	96,968,426
Expenses:	
Program services	93,242,318
Management and administration	5,537,913
Total expenses	98,780,232
Change in unrestricted net assets before other revenue and prior period revenue	(1,811,806)
Other revenue:	
Interest income	250,780
Contributions and fundraising	28,676
Unrealized loss on investments	(76,417)
Miscellaneous	13,826
Total other revenue	216,865
Changes in unrestricted net assets before prior period revenue	(1,594,941)
Prior period revenue	1,674,658
Increase in unrestricted net assets	79,717
Changes in temporarily restricted net assets:	
Donors	6,045
Net assets released from restrictions	(5,092)
Change in temporarily restricted net assets	953
Increase in net assets	80,670
Net assets - beginning of year	11,071,510
Net assets - end of year	\$ 11,152,180

The accompanying notes are an integral part of these financial statements.

LIFESPIRE, INC. AND SUBSIDIARY
(A Not-for-Profit Organization)

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

Year ended June 30,	2009
Unrestricted net assets - beginning of the year	\$ 11,028,906
Increase in unrestricted net assets	79,717
Unrestricted net assets - end of year	11,108,623
Temporarily restricted net assets - beginning of the year	42,604
Increase in temporarily restricted net assets	953
Temporarily restricted net assets - end of year	\$ 43,557

The accompanying notes are an integral part of these financial statements.

LIFESPIRE, INC. AND SUBSIDIARY
(A Not-for-Profit Organization)

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2009	Program Services					Total Program Services	Management and General	Total Expenses
	Walver Services	Vocational Services	Residential	Mental Health	Other Programs			
Salaries	\$ 17,355,188	\$ 455,514	\$ 17,745,568	\$ 1,013,668	\$ 2,848,530	\$ 39,518,468	\$ 2,549,235	\$ 42,067,722
Payroll taxes and benefits	6,626,681	149,179	6,833,308	327,370	1,166,371	15,304,910	763,769	16,068,676
Total personnel costs	24,181,869	604,693	24,578,886	1,341,038	4,114,900	54,823,396	3,313,004	66,136,400
Professional fees and contracted services	711,988	67	898,493	2,723	3,831,416	5,444,679	508,930	5,953,609
General and professional liability insurance	813,216	65,485	420,574	114,843	42,927	1,587,048	221,012	1,808,067
Supplies and expenses:								
Food, household supplies and services	252,080	3,776	2,255,279	3,619	20,638	2,536,182	27,740	2,563,932
Rent and real estate taxes	2,830,260	262,453	2,282,403	347,246	178,009	5,911,068	482,724	6,393,762
Transportation	10,499,952	400,814	1,110,294	84,450	175,020	12,270,320	191,886	12,462,206
Utilities and telephone	997,345	106,102	874,315	178,976	115,315	2,274,053	107,519	2,381,572
Maintenance and repair	240,827	12,716	422,819	19,527	18,832	714,520	32,362	746,603
General	615,924	401,891	1,081,828	84,047	901,429	3,058,019	541,468	3,627,507
Bond related expenses	7,718	156	110,379	-	244	118,465	1,824	120,318
Fund-raising - unrestricted	-	-	-	-	-	7,250	-	7,250
Fund-raising - restricted	-	-	-	-	-	5,092	-	5,092
Total expenses before interest, fees and bond expense, depreciation and amortization	41,252,886	1,880,944	34,045,089	2,178,466	9,413,763	88,778,190	5,428,907	94,207,037
Interest, fees and bond expense	682,543	18,714	1,588,352	-	40,958	2,320,567	20,213	2,340,779
Depreciation and amortization	625,020	42,573	1,205,355	14,863	65,911	2,149,622	88,794	2,232,416
Total Expenses	\$ 42,770,448	\$ 1,951,231	\$ 36,818,778	\$ 2,191,331	\$ 9,510,632	\$ 93,242,318	\$ 5,537,913	\$ 98,780,232

The accompanying notes are an integral part of these financial statements.

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LIFESPIRE, INC. AND SUBSIDIARY
(A Not-for-Profit Organization)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended June 30,	2009
Cash flows from operating activities:	
Increase in net assets	\$ 80,670
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	2,232,418
Amortization of bond issue costs	94,453
Unrealized loss on investments	76,417
Loss on disposal of asset	5,750
Changes in operating assets and liabilities:	
Increase in investments	(34,168)
Increase in accounts receivable	(52,917)
Increase in accrued income receivables	(5,840,439)
Decrease in security deposits and prepaid expenses	1,045,296
Increase in accounts payable and accrued expenses	1,481,214
Increase in accrued payroll	173,646
Increase in accrued compensated absences	102,236
Decrease in deferred income	(19,684)
Increase in underfunded pension obligation	2,968,662
Increase in underfunded health insurance obligation	244,813
Net cash provided by operating activities	2,528,367
Cash flows from investing activities:	
Purchase of investments	(1,674,842)
Proceeds from sale of investments	1,484,486
Purchase of property, plant and equipment	(4,102,599)
Reinvested investment activity	(95,304)
Increase in assets restricted to investment in property, plant and equipment	(1,414,081)
Net cash used in investing activities	(5,802,340)
Cash flows from financing activities:	
Decrease in recouplements payable	61,339
Repayments of mortgages payable - DASNY	(449,425)
Proceeds from notes payable	3,221,554
Repayments of bond payable - DASNY	(140,000)
Repayments of bonds payable - IDA	(970,000)
Net cash provided by financing activities	1,723,468
Net decrease in cash and cash equivalents	(1,550,505)
Cash and cash equivalents, at beginning of year	10,650,141
Cash and cash equivalents, at end of year	\$ 9,109,636
Non Cash Investing and Financing Activities:	
Unrealized loss on investments	\$ 76,417
Supplemental Disclosures of Cash Flow Information:	
Cash paid during the year for:	
Interest	\$ 597,289
Income taxes	\$ -

The accompanying notes are an integral part of these financial statements.

LIFESPIRE, INC. AND SUBSIDIARY
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2009

1. ORGANIZATION,
TAX STATUS AND
SIGNIFICANT
ACCOUNTING
POLICIES:

Organization

Lifespire, Inc. (the Agency) serves individuals with disabilities and their families through various programs which include, but are not limited to, residential, habilitation and day programs. The Agency is funded through government programs, consumer contributions and gifts. It is the Agency's aim to provide individuals with disabilities the assistance and support necessary to achieve a level of functional behaviors and cognitive skills to enable them to maintain themselves in their community in the most integrated and independent manner possible.

Principles of Consolidation

The consolidated financial statements include the accounts of the Agency and its wholly owned subsidiary, Manhattan Management Solutions, LLC (the Organization). Manhattan Management Solutions, LLC was established to provide consulting services to other not-for-profit organizations. The Organization is being consolidated since the Agency has both an economic interest in and control over the Organization through a majority voting interest in its governing board. As of June 30, 2009, the Organization was dormant with no activity taking place.

Tax Status

The Agency is organized under the not-for-profit corporation law of the State of New York. The Agency has been granted exemption from federal income taxation pursuant to Section 501(c)(3) of the Internal Revenue Code and is deemed to be a public charity pursuant to the Internal Revenue Service.

Financial Statement Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America.

The classification of an organization's net assets and its support, revenues and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the three classes of net assets - permanently restricted, temporarily restricted, and unrestricted - be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

Permanently Restricted - Net assets resulting from (a) contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organization, (b) other asset enhancements and diminishments subject to the same kinds of stipulations, and (c) reclassifications from (or to) other classes of net assets as a consequence of donor-imposed stipulations.

Temporarily Restricted - Net assets resulting from (a) contributions and other

LIFESPIRE, INC. AND SUBSIDIARY
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2009

inflows of assets the use of which is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the organization pursuant to those stipulations, (b) other asset enhancements and diminutions subject to the same kinds of stipulations, and (c) reclassifications to (or from) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time, or their fulfillment and removal of actions of the organization pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets. However, if a restriction is fulfilled in the same time period in which the contributions are received, the Agency reports the support as unrestricted.

Unrestricted Net Assets - The part of net assets that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Estimates

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

Subsequent Events

Management has reviewed subsequent events and transactions that occurred after the balance sheet date through November 23, 2009. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no non-recognized subsequent events that require additional disclosure.

Risks and Uncertainties

The Agency has a Pension Plan (the "Plan") that invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and such changes could materially affect the amounts reported in the Consolidated Statement of Financial Position.

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

LIFESPIRE, INC. AND SUBSIDIARY
(a Not-for-Profit Organization)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2009

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Agency considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents, except for those money market funds and short-term certificates of deposit which are included in investments. Included in cash and cash equivalents as of June 30, 2009 are several amounts of restricted cash.

Investments

The Agency carries its investments at fair value. In accordance with accounting standards, investments have been measured at fair value determined by quoted market prices and realized and unrealized gains and losses are reported in the Consolidated Statement of Activities. Income from investments is considered unrestricted net assets unless restricted by a donor. Management reviews its investments for declines other than temporary.

Valuation of Investment in Securities at Fair Value-Definition and Hierarchy

Effective January 1, 2008, the Agency adopted fair value measurement standards. Under these standards, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The accounting standards establish a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring the most observable units be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Agency. Unobservable inputs reflect the Agency's assumption about inputs market participants at the measurement date. The fair value hierarchy is categorized into three levels based on inputs as follows:

Level 1- Valuation based on quoted prices in active markets for identical assets or liabilities that the Cooperative has the ability to access.

Level 2- Valuation based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3- Valuation based on inputs that are unobservable and significant to the overall fair value measurement.

The Agency's investment consists of bank certificates of deposit and money market funds. The Agency uses the Level 2 fair value hierarchy in the valuation of these securities.

Accounts Receivable - Net

All known uncollected accounts receivable have been written down to the collectible value as of June 30, 2009. In addition, there exists a reserve for doubtful accounts of \$19,106 as of June 30, 2009 for accounts receivable. The

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allowance for doubtful accounts is established through provisions charged against income and is maintained at a level believed adequate by management to absorb estimated bad debts based on current economic conditions. Management uses 5% of subcontract accounts receivable as the basis for the calculation of allowance for doubtful accounts.

Accrued Income Receivables and Program Service Fees

The Agency receives a major portion of its program service fees from Medicaid in conjunction with the New York State Office of Mental Retardation and Developmental Disabilities (OMRDD). Program service fees are also received from the Social Security Administration and directly from OMRDD. Rates of reimbursement derived from cost based methodologies are established annually by OMRDD. Substantially all of the accrued income receivables of \$19,946,145 are due from these governmental agencies.

There is no provision within these financial statements for any possible contingent liability that may result from any disallowances as a result of reimbursement rate adjustments for program service fees relating to the year ended June 30, 2009. Although such possible disallowances could be substantial in amount, in the opinion of management, any actual disallowance would be immaterial.

Property, Plant and Equipment

Property and equipment is stated at cost less accumulated depreciation. Maintenance and repairs are charged to expense as incurred; major improvements are capitalized in accordance with funding source guidelines. For those items that are not paid for by funding sources, the Agency maintains a policy to capitalize those costing in excess of \$1,000. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the term of the lease.

The Agency reviews long-lived assets to determine whether there has been any permanent impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable. If the sum of the expected future discounted cash flows is less than the carrying amount of the assets, the Agency recognizes an impairment loss. No impairment losses were recognized for the year ended June 30, 2009.

Deferred Income

The Agency records unearned advances to fee for service revenue as deferred revenue until it is expended for the purpose of the funding source, at which time it is recognized as revenue. The balance in deferred revenue as of June 30, 2009 represents amounts received for various programmatic operations that will be recognized as revenue in the future, as it is earned.

Bond Costs

Bond costs which reflect bond premiums and discounts are amortized over the life of the bonds. Amortization expense of these costs for the year ended June 30, 2009

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is \$94,453. These costs are included in interest, fees and bond expense of \$2,340,779 shown on the Consolidated Statement of Functional Expenses.

Contributions

Contributions - Contributions are considered to be available for unrestricted use unless specifically raised for special purposes or designated by the donor.

Restricted Contributions - The Agency reports gifts of cash and other assets as 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 to unrestricted net assets and reported in the same statement of activities as net assets released from restrictions. If the restriction will be satisfied within one year, then the Agency would record the contribution as temporarily restricted net assets and reallocate to unrestricted net assets when the restriction is satisfied.

In-Kind Contributions

In-kind contributions consist of property and services donated by state agencies and individuals. The value placed by the state agencies and individuals are used for valuing the contribution received. These properties were recorded as unrestricted and the related depreciation taken was recorded as unrestricted. If no value is provided by donor, an estimated value is placed by the Agency.

Start-Up Costs

Certain costs related to the organization of a new entity, a new business line or product or location are expensed as incurred. This position is followed by the Agency and the funding source which governs the program for which such start up expenses were incurred.

Revenue Recognition

Support and revenue is recognized on a fee for service basis for service arrangements with various consumers and/or customers. Revenue is recognized contingent to services being rendered. The reimbursements received from certain funding sources are subject to reconciliations. The funding sources may request return of reimbursements for noncompliance.

Contributed Services

Time is donated to the Agency by various volunteers. The value of this time is deemed to be immaterial, and therefore has not been reflected in the accompanying consolidated financial statements.

Rent Expense

Rent expense is recognized based upon the obligations required by the leases as the funding sources fully reimbursed the Agency for rent expense for the year ended June 30, 2009. This is a departure from generally accepted accounting principles

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which requires that rent expense be recognized on a straight-line basis over the term of the lease. The dollar value of this difference was deemed to be immaterial and no adjustment was made. Pursuant to the Agency's funding regulations, any amounts recorded result in additional income being recorded to offset the additional rental expense incurred. Rent expense for the year ended June 30, 2009 was \$6,153,692.

Advertising

Advertising costs are expensed as incurred. Advertising expense totaled \$2,687 for the year ended June 30, 2009, and is included in general expenses in the accompanying Consolidated Statement of Functional Expenses.

Functional Allocation of Expenses

The costs of providing for the programs are summarized on a functional basis in the statement of functional expenses. Expenses that can be directly identified with the program or supporting service to which they relate are charged accordingly. Other expenses by function have been allocated among program and supporting services classifications using bases determined by management to be reasonable.

Implementation of New Accounting Pronouncements

Management has elected to defer the application of FAS FIN 48, *Accounting for Uncertain Tax Positions*, in accordance with FSP FIN 48-3. FSP FIN 48-3 defers the effective date for FIN 48 for certain private companies until fiscal years beginning after December 15, 2008. The Company will continue to follow FAS 5, *Accounting for Contingencies*, until it adopts FIN 48.

With few exceptions, the Company is no longer subject to U.S. federal, state, or local income tax examinations by tax authorities for years before 2005.

2. CASH AND CASH EQUIVALENTS:

The Agency considers all highly liquid financial instruments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents are held in interest bearing checking and savings accounts at financial institutions. As of June 30, 2009, total cash and cash equivalents of \$9,109,636 included restricted cash amounts comprised of the following:

Restricted cash	6/30/09
Temporarily restricted contributions	\$ 43,557
403(b) tax sheltered annuity plan	75,860
Health Reimbursement Accounts	2,441,185
	\$ 2,560,602

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3. INVESTMENTS:

For the year ended June 30, 2009, the Agency's investments (including gains and losses on investments bought, sold and held during the year) depreciated in value by \$76,417 resulting in a fair market value of \$2,342,145 as follows:

	6/30/09	
	Cost	Fair Value
<u>Bank Certificates of Deposit:</u>		
Bank of America	\$ 493,168	\$ 493,168
UBS Financial Services	105,191	108,322
Smith Barney	1,092,270	1,012,722
Chase	332,629	332,629
Total Bank Certificates of Deposit	2,023,258	1,946,841
Chase and HSBC Money Market Funds	395,304	395,304
	\$ 2,418,562	\$ 2,342,145
	6/30/09	
Fair market value - beginning of year		\$ 2,068,734
Investment activity:		
Interest/dividends and fees		64,168
Reinvestments		95,304
Purchases		1,674,842
Sales (at cost)		(1,484,486)
		2,418,562
Net decrease in fair value of investments:		
Unrealized loss		(76,417)
<u>Total net decrease in fair value of investments</u>		<u>(76,417)</u>
Fair market value - end of year		\$ 2,342,145

4. FAIR VALUE MEASUREMENTS:

The following tables present by level, within the fair value hierarchy, the Agency's unrestricted investment assets at fair value, as of June 30, 2009. As required by fair value measurement accounting standards, investment assets are classified in their entirety based upon the lowest level of input that is significant to the fair value measurement.

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The Agency did not have any investment assets at fair value classified within Level 1 or Level 3 as of June 30, 2009.

	Total	Quoted Market Prices in Active Market Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of Deposit	\$ 1,946,841	\$ -	\$ 1,946,841	\$ -
Money Market Funds	395,304	-	395,304	-
	<u>\$ 2,342,145</u>	<u>\$ -</u>	<u>\$ 2,342,145</u>	<u>\$ -</u>

Following is a description of the valuation methodologies used for assets as fair value:

Certificate of deposit: The market value of a certificate of deposit is estimated using a matrix based on interest rates.

Money market funds: Prices are received from various pricing services. Instances where pricing sources are not readily available, estimated prices may be generated by a matrix system or market-driven pricing model.

Management has done a review of securities for declines in value that are other than temporary. At June 30, 2009, any such declines did not materially affect the financial statements.

**5. NOTE RECEIVABLE
FROM RELATED
PARTY:**

The Agency is owed an amount of \$140,203 from a related party, not-for-profit corporation. The Agency has a note receivable with interest computed at 9 percent per annum.

Additionally, there is an amount owed of \$6,249 as of June 30, 2009 from this operation for expense and management fee reimbursement. The \$6,249 is included in accounts receivable - net. The Agency uses space for certain program operations at one site which is owned by a different related party, not-for-profit corporation. The Agency is a related party in that certain staff members of the Agency are also Board members of this other not-for-profit corporation.

Management periodically reviews the related party accounts to determine if an allowance is necessary. Accounts receivable have been adjusted for all known uncollectible accounts. Management reviews the accounts receivable to determine if an allowance is necessary. For the year ended June 30, 2009 no allowance was

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necessary because the related accounts receivable balance was determined to be fully collectable.

The Agency has a controlling interest in several other not-for-profit entities. The Agency provided start up funds to those entities to assist in the organization process. Although these transactions involve an economic interest in those entities, they were immaterial to the accompanying consolidated financial statements, and accordingly, have been omitted from them.

**6. ASSETS RESTRICTED
TO INVESTMENT IN
PROPERTY, PLANT
AND EQUIPMENT:**

As of June 30, 2009, the Agency had the following assets restricted to investment in property, plant and equipment:

Debt Service Reserve - MCFFA (DASNY)	\$ 401,875
Debt Service Reserve/Escrow Balance - IDA - Bond 2002	859,917
Debt Service Reserve/Escrow Balance - IDA - Bond 2004	1,213,141
Debt Service Reserve/Escrow Balance - IDA - Bond 2008	795,471
Cash - Recoupment's Payable	4,984,499
	<u>\$ 8,254,903</u>

The debt service reserve - MCFFA amount of \$401,875 represents a portion of the loan proceeds retained by the New York State Medical Care Facilities Finance Agency (MCFFA) under the terms and conditions in the loan agreement.

The monies are designated to be applied to scheduled debt service payments in the future. In 1996, the debt service reserve amounts were transferred to the Dormitory Authority of the State of New York (DASNY).

The debt service reserve/escrow balance - IDA - Bond 2002 amount of \$859,917 represents a portion of the loan proceeds, in addition to subsequent payments made by the Agency, that were deposited into accounts setup with the Bank of New York. The Agency's monthly payments are deposited into one of these accounts until payments to the bondholders are required pursuant to the agreement (refer to Note 15 for more detail).

The debt service reserve/escrow balance - IDA - Bond 2004 amount of \$1,213,141 represents a portion of the loan proceeds, in addition to subsequent payments made by the Agency, that were deposited into accounts setup with the Bank of New York. The Agency's monthly payments are deposited into one of these accounts until payments to the bondholders are required pursuant to the agreement (refer to Note 15 for more detail).

The debt service reserve/escrow balance - IDA - Bond 2008 amount of \$795,471 represents a portion of the loan proceeds, in addition to subsequent payments made by the Agency, that were deposited into accounts setup with the Bank of New York. The Agency's monthly payments are deposited into one of these accounts until payments to the bondholders are required pursuant to the agreement (refer to Note 15 for more detail).

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The cash amount of \$4,984,499 represents various amounts received from funding sources that will be used to pay amounts included within recoupment's payable.

7. TEMPORARILY RESTRICTED NET ASSETS:

The changes in contributions, which comprise the Agency's temporarily restricted net assets for the year ended June 30, 2009, which are available for use in future years, were as follows:

	Balance 07/01/08	Additions	Expenditures	Balance 06/30/09
Program	\$ 42,604	\$ 6,045	\$ (5,092)	\$ 43,557

The funds released from restrictions were used towards operating expenses for one of the Agency's Intermediate Care Facility properties.

8. PROPERTY, PLANT AND EQUIPMENT:

As of June 30, 2009, detailed information is as follows:

	Cost	Estimated Useful Lives
Land	\$ 4,509,267	-
Buildings and improvements	22,085,928	5-20 Years
Furniture and equipment	2,722,407	5 Years
Vehicles	584,100	4 Years
Leasehold improvements	8,150,805	10-20 Years
	38,052,507	
Less: accumulated depreciation and amortization	(16,499,341)	
Construction in progress	127,380	
	\$ 21,680,546	

The above amounts include land and buildings which were donated to the Agency by OMRDD. The Agency is subject to adhering to certain terms, conditions and restrictions as to the use and ultimate disposition of these properties as further delineated in the disposition and subordination agreements entered into with the funding source.

Depreciation and amortization expense for the year ended June 30, 2009 is \$2,232,418.

9. RECOUPMENTS PAYABLE:

The amount of \$4,984,499 consists of amounts of reimbursement received from certain funding sources, which are in excess of amounts earned, and amounts for which the scheduled recoupment differs from the actual recoupment made through June 30, 2009. The funding sources are expected to recover these amounts in the future through the recoupment process.

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10. DEFERRED INCOME: Deferred income of \$2,281,470 include amounts received from various funding sources over the years for various programmatic operations but not earned as revenue as of June 30, 2009. Some of these liabilities relate to the New York State Office of Mental Retardation and Developmental Disabilities (OMRDD). These liabilities do not bear interest and will be recognized as revenue periodically in the future as it is deemed to be earned.

11. DUE TO FUNDING SOURCES:

The due to funding sources amount of \$243,684 includes an amount of \$8,966, which represents various maximum potential contested liabilities for proposed contract adjustments with certain funding sources for prior periods.

The balance of \$234,718 represents a liability due back to OMRDD as a result of certain "desk-audits" performed on certain programs by OMRDD. These "desk-audits" were the result of a statewide requirement by OMRDD and other governmental agencies, due to the clarification and revisions of certain policies and procedures set forth by OMRDD and these other governmental agencies.

12. MORTGAGES PAYABLE - DASNY:

Mortgages payable - DASNY amounting to \$4,213,339 represent self-liquidating term notes owed to the Dormitory Authority of the State of New York (DASNY) which has as its agent OMRDD. Some of the notes were originally related to New York State Medical Care Facilities Finance Agency (MCFFA) improvement bonds loaned to the FDC. The DASNY is the successor to the MCFFA and in 1996 FDC projects were transferred to DASNY. In 1996, the MCFFA bonds were refunded by the issuance of DASNY Mental Health Services Facilities Improvement Revenue Bonds.

Periodic recoupments are expected to continue to be made by OMRDD from the Agency, for remittance to FDC to satisfy the debt service and administration fees. The payments are first applied to interest and then to principal. The Agency has and/or will receive additional amounts of reimbursement as an increase to its per diem rates to repay these recoupments. The notes are collateralized by (1) the real property located at each of the sites (2) all accounts receivable generated from billings related to the respective locations and (3) all personal property owned by the Agency located at each of the sites. The Agency is entitled to credits in an amount equal to the past accrued interest earned on the Debt Service Reserve Fund for some of the above-mentioned liabilities. When such credits are determined and applied to the corresponding mortgages, then those mortgage liabilities will be reduced accordingly.

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Additional information for the mortgages payable - DASNY is reflected below:

Project Name	Maturity Date	Fixed Interest Rate	Total
Racal Court	2/15/13	7.37%	\$ 156,500
South Ave.	8/15/15	7.68%	182,016
213-233 48 th St. (Sunset I)	2/15/18	7.34%	791,785
87-21 121 st St. (Queens)	2/15/18	6.41%	2,052,750
Jumel	8/15/18	6.41%	764,500
Esplanade	2/15/11	5.44%	69,200
208th St.	8/15/10	5.81%	88,539
94th St.	8/15/10	5.81%	108,049
Total Mortgages Payable - DASNY			\$ 4,213,339

The Mortgage balances for 213-233 48th Street and 87-21 121st Street locations are for the Day Treatment and Day Habilitation Programs. Commencing with the fiscal year ended June 30, 2004, OMRDD allocates a portion of the bond (mortgage) payable to a separate Day Habilitation MMIS Provider number for debt recovery purposes. However, the total indebtedness does not change.

13. NOTES PAYABLE:

The Agency has a line of credit agreement with J.P. Morgan Chase for a maximum of \$5,000,000 that is due March 15, 2010. The proceeds of the line of credit were to be used for operating expenses. Interest is charged to the line of credit at the bank's floating rate of prime plus 1% and is secured by a lien on Agency government receivables. These government receivables totaled \$19,946,145 at June 30, 2009. There was no outstanding balance as of June 30, 2009.

Under the terms of a line of credit agreement with Bank of America on March 26, 2009, the Agency may borrow up to \$5,000,000 at the bank's prime interest rate plus 0.5% through March 31, 2010, when the agreement expires. The Agency's property has been pledged as collateral against any advances on the line of credit. As of June 30, 2009, there was an outstanding balance of \$5,153,123.

14. BOND PAYABLE-DASNY:

Bond payable DASNY amounting to \$30,000 represent amounts owed relating to the DASNY New York State Rehabilitation Association (NYSRA) Pooled Loan Program No. 1 Insured Revenue Bonds, Series 2001A and 2001B (the "Bonds"). Please refer to the Bond Offering Statement dated April 1, 2001 for additional information.

The Agency used the bond proceeds to refinance \$1,052,877 of indebtedness on three properties. The interest rate is 4.0 percent on the Series 2001A Bonds (\$1,100,000), which was repaid during the fiscal year, and 6.75 percent on the Series 2001B Bonds (\$45,000). The interest is payable to the bondholders on a semi-annual basis commencing on July 1, 2001. The cost of the bond issuance

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amounted to \$99,181 which was fully amortized as of June 30, 2009. The amount of \$30,000 represents the bond principal due with an effective interest rate of 3.82%. The costs of issuance, the net premium, and the discount are being amortized over the term of the Bond obligation.

Payments of interest and principal under the Loan Agreement are to be made monthly on the 10th day of each month into the Debt Service Reserve Fund by the Agency. On July 1, 2009, the principal amount of \$30,000 will be paid in full by the Agency, as well as all interest and fees associated with the payment, to the bondholders. The Agency satisfied these obligations during June 30, 2009 by virtue of periodic recoupments made by OMRDD from its rates of reimbursement for those programs that are operated at these sites. The principal payment of the consolidated debt owed to the bondholders is as follows:

Due Date	Principal Due
July 1, 2009	\$ 30,000

The assignment of the Assigned Medicaid Funds to the DASNY was put into effect during the fiscal year ended June 30, 2002. Once the DASNY receives the Assigned Medicaid Fund, the monies are sent to State Street Bank and Trust Company (the Trustee) and held there until each scheduled payment to the bondholders is made by the Bondmaster. The Agency expects that, periodically, OMRDD will adjust the IRA per diem rate to provide the Agency with the appropriate amount of reimbursement to repay the debt principal, related interest and fees.

The Series 2001 Bonds will be secured ratably by the pledge and assignment to the Trustee of the Revenues and the DASNY's security interest in the Pledged Revenues, subject to Prior Pledges. Please refer to the Bond Offering Statement dated April 1, 2001 for additional information.

The bond payable DASNY requires the Agency to maintain certain financial covenants. At June 30, 2009, the Agency was determined to be in compliance with these covenants.

16. BONDS PAYABLE-IDA:

Bonds payable - IDA totaling \$11,230,000 are made up of the following bonds payable at June 30, 2009:

Series	Due Date	Principal Due
2002 C-1	July 1, 2017	\$ 2,725,000
2004 A-1 and B-1	July 1, 2023	3,955,000
2004 C-1	July 1, 2014	685,000
2008 A-1 and A-2	July 1, 2033	3,865,000
Total IDA Bonds Payable		\$ 11,230,000

Bonds payable - IDA - 2002 amounting to \$2,725,000 represent amounts owed

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relating to Industrial Development Agency Financing (Special Needs Facility Pooled Program) with the New York City Industrial Development Agency Series 2002 C-1.

The interest rate is based on a life average rate of 7.631763% on the Series 2002 C-1 Bond (\$2,725,000). The interest is payable to the bondholders on a semi-annual basis commencing on July 1, 2003. The principal is payable to the bondholder on an annual basis also commencing on July 1, 2003. The cost of the bond issuance amounted to \$395,027 (\$380,027 was incurred when the bond closed and \$15,000 was incurred prior to the bond closing), of which \$163,533 was amortized as of June 30, 2009. The costs of issuance are being amortized over the term of the bond obligations.

Payments of interest and principal under the Loan Agreement are to be made monthly and deposited into one of the Agency's Debt Service Reserve accounts (please see Note 6 for more information) until it comes due to pay the bondholders for interest and/or principal.

The principal payments of consolidated debt owed to the bondholders are as follows:

Due Date July 1,	Principal Due
2009	\$ 260,000
2010	265,000
2011	270,000
2012	270,000
2013	280,000
Thereafter	1,380,000
	<u>\$ 2,725,000</u>

Bonds Payable - IDA - 2004 amounting to \$4,640,000 represents amounts owed relating to Industrial Development Agency Financing (Special Needs Facility Pooled Program) with the New York City Industrial Development Agency Series 2004 A-1 and B-1, and Series 2004 C-1.

The Agency used the Series A-1 and B-1 bond proceeds to refinance \$4,112,273 of indebtedness on four properties. The interest rate is based on a life average rate of 8.890508% on the Series 2004 A-1 and B-1 (\$3,955,000). The interest is payable to the bondholders on a semi-annual basis commencing on July 1, 2004. The principal is payable to the bondholder on an annual basis also commencing on July 1, 2004.

The cost of the bond issuance amounted to \$685,629 (\$694,975 was incurred when the bond closed less \$9,346 reimbursed after the bond closing), of which \$180,429 was amortized as of June 30, 2009. The costs of issuance are being amortized over the term of the bond obligations.

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Payments of interest and principal under the Loan Agreement are to be made monthly and deposited into one of the Agency's Debt Service Reserve accounts (please see Note 6 for more information) until it comes due to pay the bondholders for interest and/or principal.

The principal payments of consolidated debt owed to the bondholders are as follows:

Due Date July 1,	Principal Due
2009	\$ 355,000
2010	355,000
2011	360,000
2012	360,000
2013	215,000
Thereafter	2,310,000
	<u>\$ 3,955,000</u>

The Agency used the Series C-1 bond proceeds to finance \$805,621 of indebtedness on one property and to pay off a balance due on one line of credit. The interest rate is based on the life average rate of 5.96% on the Series 2004 C-1 (\$785,000). The interest is payable to the bondholders on a semi-annual basis commencing on January 1, 2005. The principal is payable to the bondholders on an annual basis commencing on July 1, 2005. The cost of the bond issuance amounted to \$50,095, of which \$16,685 was amortized as of June 30, 2009. The cost of bond discounts amounted to \$41,281, of which \$19,608 was amortized as of June 30, 2009. The costs of issuance and discounts are being amortized over the term of the Bond obligations.

Payments of interest and principal under the Loan Agreement are to be made monthly and deposited into one of the Agency's Debt Service Reserve accounts (please see Note 6 for more information) until it comes due to pay the bondholders for interest and/or principal.

The principal payments of consolidated debt owed to the bondholders are as follows:

Due Date July 1,	Principal Due
2009	\$ 100,000
2010	110,000
2011	110,000
2012	115,000
2013	120,000
Thereafter	130,000
	<u>\$ 685,000</u>

Bonds payable - IDA - 2008 amounting to \$3,865,000 represent amounts owed

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relating to Industrial Development Agency Financing (Special Needs Facility Pooled Program) with the New York City Industrial Development Agency Series 2008 A. These bonds are segregated into Series 2008 A-1 and Series 2008 A-2 (taxable).

The interest rate is based on a life average rate and is disclosed in the bond agreement. The interest is payable to the bondholders on a semi-annual basis commencing on July 1, 2008. The principal is payable to the bondholder on an annual basis also commencing on July 1, 2008. The cost of the bond issuance amounted to \$265,634 of which \$49,624 was amortized as of June 30, 2009. The costs of issuance are being amortized over the term of the bond obligations. Pursuant to the bond agreement, there is a first lien on the properties being mortgaged except for the facility located at 213 48th Street, Brooklyn which carries a second lien.

Payments of interest and principal under the Loan Agreement are to be made monthly and deposited into one of the Agency's Debt Service Reserve accounts (please see Note 6 for more information) until it comes due to pay the bondholders for interest and/or principal.

The principal payments of consolidated debt owed to the bondholders are as follows:

Due Date	Principal
July 1,	Due
2009	\$ 390,000
2010	370,000
2011	265,000
2012	260,000
2013	260,000
Thereafter	2,320,000
	<u>\$ 3,865,000</u>

The Agency expects that, periodically, OMRDD will adjust the IRA per diem rate to provide the Agency with the appropriate amount of reimbursement to repay the debt principal, related interest and fees. The Series 2002 C-1, 2004 A-1, B-1, and C-1, as well as Series 2008 A-1 and A-2 bonds will be secured ratably by the pledge and assignment to the Trustee of the Revenues and the IDA's security interest in the pledged revenues, subject to Prior Pledges. Please refer to the Bond Offering Statement dated January 10, 2003 for additional information on Series 2002 Bonds, the Bond Offering Statement dated February 27, 2004 for additional information on the 2004 Series A-1 and B-1 bonds, the Bond Offering Statement dated July 15, 2005 for additional information on the Series 2004 C-1 bonds, as well as the Bond Offering Statement dated January 30, 2008 for additional information on the Series 2008 A1 and A-2 bonds.

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16. MATURITIES OF DEBT TO THIRD PARTIES:

Approximate maturities of short-term and long-term debt are as follows:

June 30,	
2010	\$ 7,280,457
2011	2,020,638
2012	1,693,725
2013	1,725,175
2014	1,591,275
Thereafter	13,824,845
	<u>\$ 28,136,115</u>

The short-term and long-term debt is comprised of the following:

Recoupments Payable	\$ 4,984,499
Deferred Income	2,281,470
Due to Funding Sources	243,684
Mortgages Payable – DASNY	4,213,339
Bonds Payable – DASNY	30,000
Bonds Payable – IDA	11,230,000
Notes Payable	5,153,123
	<u>\$ 28,136,115</u>

17. BOARD DESIGNATED FUND:

The board designated fund (the Fund) is used to account for certain assets of the Agency which are earmarked for future programmatic expansion purposes. The Fund is used to help alleviate the ongoing financial pressure due to the timing of the collection of government funding, the limitation of available government funding and to supplement fund raising activities. The Agency has minimal monthly cash needs of approximately \$8,000,000 to finance its programmatic operations.

18. PRIOR PERIOD REVENUE:

The prior period revenue of \$1,674,658 is comprised of typical retroactive rate adjustments attributable to various programs.

19. DEFINED BENEFIT PENSION PLAN:

The Agency has a defined benefit pension plan covering all of its eligible employees. The benefits are based on years of service and the employee's highest five years of compensation during the last ten years of employment. The Agency's funding policy is to contribute annually the required amount that should be deducted in accordance with federal income tax guidelines. The Agency's contributions for calendar year 2008 exceeded the minimum funding requirements of ERISA.

Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future. The employer contributions amounted to \$1,123,026 and the benefits paid amounted to \$416,601 during the fiscal year ended June 30, 2009. The Agency expects to contribute \$1,120,000 to its pension plan in the fiscal year ended June 30, 2009.

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(a Not-for-Profit Organization)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Prior to June 30, 1993, the amount expensed in the employer's financial statements for a qualified defined benefit pension plan was generally equal to the amount contributed. Under new accounting standards, this is no longer true. IRS rules continue to govern the determination of the annual required employer contributions. These accounting standards, completely independent of IRS funding guidelines, now govern the determination of the amount that must be expensed each year. There is no connection between the two sets of requirements. Amounts expensed may be higher or lower than actual dollar contributions.

Under the accounting standards, a liability (underfunded pension obligation) is disclosed at fiscal year end. The underfunded pension obligation is a compilation of the excess of total past and future amounts expensed to date over past amounts contributed. Since amounts expensed each year were not consistent with the accounting standards' requirements, there is a cumulative amount totaling \$8,604,294 of underfunded pension obligation as of June 30, 2009.

The following table sets forth the plan's funded status and amounts recognized in the Agency's statement of financial position at June 30, 2009:

Benefit obligation as of June 30, 2009	\$ (24,266,039)
Plan assets at fair value at end of measurement period primarily listed stocks and U.S. bonds	15,661,745
Funded Status at June 30, 2009	(8,604,294)
Underfunded Pension Obligation	\$ (8,604,294)

The accumulated benefit obligations for the year ended June 30, 2009 was \$20,483,384.

Net pension cost for the fiscal year ended June 30, 2009 included the following components:

Service cost-benefits earned during the period	\$ 1,129,994
Interest cost on projected benefit obligation	1,645,028
Expected return on plan assets	(1,485,397)
Amortization of loss and prior service cost	419,906
Net periodic pension cost	\$ 1,709,531

Assumptions Weighted Average

Discount Rate	6.85%
Expected Return on Plan Assets	N/A
Rate of Compensation Increase	0.00%

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The pension plan asset allocations, along with respective dollar values and fair value measurements, at June 30, 2009, by asset category are as follows:

Asset Category	Percentage of Plan Assets	Dollar Amount	Fair Value Measurement
Equity securities	60%	\$ 13,006,394	Level 1
Fixed income	35%	7,811,004	Level 2
Other	5%	1,187,997	Level 2
	100%	\$ 22,005,395	

Expected Future Benefits

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

Fiscal Year Beginning	Pension Benefits
2009	\$ 502,497
2010	577,810
2011	643,732
2012	746,935
2013	882,485
Thereafter	6,709,466
	\$ 10,062,925

20. POSTRETIREMENT HEALTH CARE BENEFIT PLAN:

The Agency sponsors a defined benefit postretirement health care benefit plan.

Plan Provisions

Retired Prior to January 1, 2000

For certain long-service employees, the plan will pay the monthly premium for the participant (and eligible spouse) to continue coverage under the pre-2000 postretirement plan.

Retired January 1, 2001 and Later

For employees who retire on or after age 65 with at least 20 years of service, the Agency will enroll the retiree and eligible spouse in an AARP Medicare Supplement plan and contribute the following towards such coverage (for each retiree and eligible spouse):

-- 20 years of service	Plan E	--\$130.25 per month
-- 25 years of service	Plan G	--\$152.25 per month
-- 30 years of service	Plan I	--\$259.00 per month

For employees who retire between ages 62 and 65, with the requisite years of

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service, the Agency will contribute, as per the above schedule, towards coverage under the current active employee's plan, until Medicare eligibility. At that time, the retiree will be treated in the same fashion as a post-65 retiree.

If an eligible spouse is not Medicare eligible, the Agency will contribute towards coverage under the current active employees' plan in an amount based on the retiree's service as described above.

Determination of the FAS106 Expense for the Fiscal Year

July 1, 2008 through June 30, 2009:

(1) Service Cost	\$ 179,714
(2) Interest Cost	208,817
(3) Amortization:	
(a) Transition obligation	0
(b) Prior service cost	63,914
(c) (Gain)/Loss	0
(d) Total amortization	<u>63,914</u>
(4) FAS 106 Expense -- July 1, 2008 - June 30, 2009	\$ <u>452,445</u>

Reconciliation of Funded Status for the Fiscal Year Ended June 30, 2009:

(1) Accumulated postretirement benefit obligation at June 30, 2009	(3,322,474)
(2) Net amount recognized at June 30, 2009	(3,322,474)

Assumptions:

Discount Rates:	
Expense	6.85%
Disclosure	6.85%
Mortality:	1994 Group Annuity Mortality Table
Claim cost:	Monthly premium
Trend:	None

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Expected Future Benefit Payments:

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

Fiscal Year Beginning	Postretirement Health Care
2009	\$ 52,165
2010	66,828
2011	80,008
2012	99,822
2013	119,667
Thereafter	<u>999,672</u>
	\$ <u>1,418,162</u>

21. COMMITMENTS AND CONTINGENCIES:

General

Pursuant to the Agency's contractual relationships with certain funding sources, outside agencies have the right to examine the Agency's books and records which pertain to transactions relating to these contracts. The financial statements do not include a provision for possible disallowances and reimbursements. Management believes that any actual disallowances, if any would be immaterial. In addition, certain agreements provide that certain property, plant and equipment owned by or on loan to the Agency (see Note 8) be utilized by the Agency for its continued ownership, since the costs of such property and equipment were funded under these agreements.

There are certain amounts of real and personal property used by the Agency in its program operations which is owned by New York State and/or other governmental sources. The Agency uses some of these real and personal properties at no cost. The value of the benefit received for use of these real and personal properties is not readily measurable and is not recorded in the financial statements.

The Agency has a number of pending lawsuits against them for a variety of reasons. The alleged claims are being handled by legal counsel and/or by its insurance providers. In the opinion of the Agency's legal counsel, and in the opinion of management, there is no basis to establish a liability for any loss contingency due to lack of merit or insurance coverage exceeding expected settlement amounts.

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Operating Leases

The Agency is obligated pursuant to real property lease agreements for minimum monthly rentals for its administrative and program operations as follows:

June 30,	
2010	\$ 5,741,564
2011	5,214,721
2012	4,407,683
2013	3,619,803
2014	2,782,016
Thereafter	10,455,949
	\$ 32,221,736

A renewal option allows the Agency, at its sole option, the right to extend some of the leases for an additional five-year period with a predetermined rent base amount with annual rent percentage increases. Various leases have rent escalations in which various predetermined annual percentage increases exist throughout the lease periods. A clause exists whereby, in the event that real estate taxes increase during the term of some of the leases, the Agency shall pay any increases in real estate taxes over the base year.

22. 403(b) TAX – SHELTERED ANNUITY PLAN:

The Agency offers a 403(b) Tax-Sheltered annuity plan for all employees who are eligible and elect to participate. The plan is governed by IRS regulations setting the limits on the amount that employees may contribute and the conditions to withdraw monies from it. The employees each own their individual annuity plan and are responsible for deciding the amount of contributions they wish to make each year (up to the maximum stipulated by the IRS) and how the funds may be invested.

23. CONCENTRATION OF CREDIT RISK:

The Agency has maintained bank balances that often exceed the limit of the Federal Depository Insurance Corporation (FDIC) insurance coverage. The Agency verifies on a quarterly basis the equity strength and profitability of the banks it uses in order to minimize the risk.

The Agency earns its revenue and records related receivables primarily from service fees provided to individuals with developmental disabilities within the New York City area. Major sources of revenue arise from Medicaid and social security payments and state and local assistance payments.

LIFESPIRE, INC. AND SUBSIDIARY
(A NOT-FOR-PROFIT ORGANIZATION)
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2008

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June 30, 2008**



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Lifespire, Inc. and Subsidiary

We have audited the accompanying consolidated statement of financial position of Lifespire, Inc., (a non-profit organization) and subsidiary as of June 30, 2008 and the related consolidated statements of activities, changes in net assets, functional expenses and cash flows for the year then ended. These consolidated financial statements are the responsibility of Lifespire, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Lifespire, Inc. and subsidiary as of June 30, 2008 and the consolidated changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

ERE LLP

New York, NY
November 24, 2008

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Independent Auditors' Report

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LIFESPIRE, INC. AND SUBSIDIARY
(A Not-for-Profit Organization)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30,	2008
Assets:	
Cash and cash equivalents	\$ 10,860,141
Investments	2,068,734
Accounts receivable - net of allowance for doubtful accounts of \$19,108	876,544
Accrued income receivables	14,105,706
Note receivable from related party	140,203
Security deposits and prepaid expenses	2,108,458
Assets restricted to investment in property, plant and equipment	6,840,822
Property, plant and equipment - net of accumulated depreciation of \$14,367,065	19,816,115
Deferred charges - net of accumulated amortization for bond issuance costs of \$438,154	1,109,694
Total Assets	\$ 57,726,417
Liabilities and Net Assets:	
Liabilities:	
Accounts payable and accrued expenses	\$ 6,920,095
Accrued payroll	1,895,662
Accrued compensated absences	2,693,526
Recoupments payable	4,923,160
Deferred income	2,301,154
Due to funding sources	243,684
Mortgages payable - DASNY	4,662,764
Underfunded pension obligation	5,635,632
Underfunded health insurance obligation	3,077,661
Note payable	1,931,569
Bonds payable - DASNY	170,000
Bonds payable - IDA	12,200,000
Total Liabilities	46,654,907
Net Assets:	
Unrestricted - undesignated	5,816,224
Unrestricted - board designated	943,035
Unrestricted - property, plant and equipment	4,269,647
Total Unrestricted Net Assets	11,028,906
Temporarily restricted	42,604
Total Net Assets	11,071,510
Total Liabilities and Net Assets	\$ 57,726,417

The accompanying notes are an integral part of these financial statements.

LIFESPIRE, INC. AND SUBSIDIARY
(A Not-for-Profit Organization)

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30,	2008
Support and revenue - program operations:	
Program service fees	\$ 87,188,140
Participants' share of room and board	2,769,680
Subcontract	574,682
MCFAA and DASNY bond fees	781,746
Subtotal - support and revenue - program operations	91,314,448
Net assets released from restrictions	2,176
Total support and revenue - program operations	91,316,624
Expenses:	
Program services	87,610,646
Management and administration	5,799,676
Fundraising	295,858
Total expenses	93,706,180
Change in unrestricted net assets before other revenue and prior period revenue	(2,389,556)
Other revenue:	
Interest income	289,457
Contributions and fundraising	210,235
Unrealized gain on investments	30,830
Miscellaneous	13,836
Total other revenue	544,358
Changes in unrestricted net assets before prior period revenue	(1,845,198)
Prior period revenue	593,806
Decrease in unrestricted net assets	(1,251,392)
Changes in temporarily restricted net assets:	
Donors	2,200
Grants	-
Net assets released from restrictions	(2,176)
Change in temporarily restricted net assets	24
Decrease in net assets	(1,251,368)
Net assets - beginning of year	12,322,878
Net assets - end of year	\$ 11,071,510

The accompanying notes are an integral part of these financial statements.

LIFESPIRE, INC. AND SUBSIDIARY
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CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

Year ended June 30,	2008
Unrestricted net assets - beginning of the year	\$ 12,280,298
Decrease in unrestricted net assets	(1,251,392)
Unrestricted net assets - end of year	11,028,906
Temporarily restricted net assets - beginning of the year	42,580
Increase in temporarily restricted net assets	24
Temporarily restricted net assets - end of year	\$ 42,604

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The accompanying notes are an integral part of these financial statements.

LIFESPIRE, INC. AND SUBSIDIARY
(A Not-for-Profit Organization)

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2008	Program Services					Total Program Services	Supporting Services		Total Supporting Services	Total Expenses
	Waiver Services	Vocational Service	Residential	Mental Health	Other Programs		Management and General	Fundraising		
Salaries	\$ 15,627,670	\$ 499,717	\$ 17,259,888	\$ 1,128,830	\$ 3,012,534	\$ 37,528,639	\$ 2,686,604	\$ 97,688	\$ 2,684,292	\$ 40,212,931
Payroll taxes and benefits	5,422,057	196,254	5,842,886	387,642	1,225,081	13,073,920	686,910	8,679	695,589	13,769,509
Total personnel costs	21,049,727	695,971	23,102,774	1,516,472	4,237,615	60,602,559	3,273,514	106,367	3,379,881	53,982,440
Professional fees and contracted services	530,712	38,711	914,537	2,741	2,962,118	4,448,819	692,370	99,752	792,122	5,240,941
General and professional liability insurance	868,032	89,807	405,136	193,339	122,069	1,648,375	239,812	-	239,812	1,887,987
Supplies and expenses:										
Food, household supplies and services	238,567	4,215	2,157,381	6,204	31,110	2,437,477	32,480	-	32,480	2,469,957
Rent and real estate taxes	2,669,711	195,472	2,248,212	356,280	281,616	5,751,291	477,988	-	477,988	6,229,279
Transportation	10,101,237	690,842	1,225,305	76,236	390,223	12,485,843	154,986	6,181	161,167	12,647,010
Utilities and telephone	778,113	46,726	869,581	113,072	81,314	1,877,806	167,204	1,296	168,500	2,036,306
Maintenance and repair	216,095	9,875	371,722	10,079	23,271	631,042	31,275	-	31,275	662,317
General	634,578	480,591	1,251,131	96,980	609,550	3,352,828	618,352	8,344	626,696	3,979,524
Bond related expense	10,320	126	122,976	-	443	133,865	1,308	-	1,308	135,171
Fund-raising - unrestricted	-	-	-	-	-	-	-	71,544	71,544	71,544
Fund-raising - restricted	-	-	-	-	-	-	-	2,176	2,176	2,176
Total expenses before interest, fees and bond expense, depreciation and amortization	37,127,090	2,234,336	32,655,757	2,313,403	9,039,319	83,366,905	5,679,087	295,660	5,974,747	89,344,652
Interest, fees and bond expense	670,077	7,932	1,578,914	-	31,155	2,287,778	23,430	-	23,430	2,311,208
Depreciation and amortization	685,080	16,180	1,127,697	11,836	113,171	1,952,963	97,159	198	97,357	2,050,320
Total Expenses	\$ 38,482,247	\$ 2,267,148	\$ 35,362,368	\$ 2,325,239	\$ 9,183,645	\$ 87,810,646	\$ 5,799,876	\$ 295,858	\$ 6,095,534	\$ 93,705,180

The accompanying notes are an integral part of these financial statements.

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LIFESPIRE, INC. AND SUBSIDIARY
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CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended June 30,	2008
Cash flows from operating activities:	
Decrease in net assets	\$ (1,251,368)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	2,050,320
Amortization of bond issue costs	107,305
Unrealized gain on investments	(11,105)
Bad debt expense	(22)
Loss on disposal of asset	5,663
Changes in operating assets and liabilities:	
Increase in investments	(84,280)
Increase in accounts receivable	(174,260)
Decrease in accrued income receivables	3,762,384
Increase in notes receivable from related party	(70,000)
Increase in security deposits and prepaid expenses	(418,165)
Increase in deferred charges	(295,634)
Increase in accounts payable and accrued expenses	1,550,481
Increase in underfunded pension obligation	2,341,779
Increase in underfunded health insurance obligation	32,044
Increase in accrued payroll	320,204
Increase in accrued compensated absences	48,895
Increase in deferred income	19,684
Net cash provided by operating activities	7,863,945
Cash flows from investing activities:	
Purchase of investments	(1,130,000)
Proceeds from sale of investments	1,096,389
Purchase of property, plant and equipment	(2,572,365)
Reinvested and withdraw investment activity	51,522
Increase in assets restricted to investment in property, plant and equipment	(354,317)
Net cash used in investing activities	(2,908,771)
Cash flows from financing activities:	
Decrease in recoupments payable	(13,752)
Repayments of mortgages payable - DASNY	(424,775)
Proceeds from notes payable	(1,455,465)
Repayments of bonds payable - DASNY	-
Repayments of bonds payable - IDA	2,950,000
Net cash provided by financing activities	1,056,008
Net increase in cash and cash equivalents	6,111,182
Cash and cash equivalents, at beginning of year	4,548,959
Cash and cash equivalents, at end of year	\$ 10,660,141
Supplemental Disclosures of Cash Flow Information:	
Cash paid during the year for:	
Interest	\$ 1,079,613
Income taxes	\$ -

The accompanying notes are an integral part of these financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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1. ORGANIZATION, TAX STATUS AND SIGNIFICANT ACCOUNTING POLICIES:

Organization

Lifespire, Inc. (the Agency) serves individuals with disabilities and their families through various programs which include, but are not limited to, residential, habilitation and day programs. The Agency is funded through government programs, consumer contributions and gifts. It is the Agency's aim to provide individuals with disabilities the assistance and support necessary to achieve a level of functional behaviors and cognitive skills to enable them to maintain themselves in their community in the most integrated and independent manner possible.

Principles of Consolidation

The consolidated financial statements include the accounts of the Agency and its wholly owned subsidiary, Manhattan Management Solutions, LLC (the Organization). Manhattan Management Solutions, LLC was established to provide consulting services to other not-for-profit organizations. The Organization is being consolidated since the Agency has both an economic interest in and control over the Organization through a majority voting interest in its governing board.

Tax Status

The Agency is organized under the not-for-profit corporation law of the State of New York. The Agency has been granted exemption from federal income taxation pursuant to Section 501(c)(3) of the Internal Revenue Code and is deemed to be a public charity pursuant to the Internal Revenue Service.

Financial Statement Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America.

The classification of an organization's net assets and its support, revenues and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the three classes of net assets - permanently restricted, temporarily restricted, and unrestricted - be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

Permanently Restricted - Net assets resulting from (a) contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organization, (b) other asset enhancements and diminishments subject to the same kinds of stipulations, and (c) reclassifications from (or to) other classes of net assets as a consequence of donor-imposed stipulations.

Temporarily Restricted - Net assets resulting from (a) contributions and other inflows of assets the use of which is limited by donor-imposed stipulations

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June 30, 2008

that either expire by passage of time or can be fulfilled and removed by actions of the organization pursuant to those stipulations, (b) other asset enhancements and diminishments subject to the same kinds of stipulations, and (c) reclassifications to (or from) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time, or their fulfillment and removal of actions of the organization pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets. However, if a restriction is fulfilled in the same time period in which the contributions are received, the Agency reports the support as unrestricted.

Unrestricted Net Assets - The part of net assets that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Estimates

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

Risks and Uncertainties

The Agency has a Pension Plan (the "Plan") that invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and such changes could materially affect the amounts reported in the Statement of Financial Position.

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Agency considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents, except for those money market funds and short-term certificates of deposit which are included in investments.

Investments

The Agency carries its investments at fair value. In accordance with the Statement of Financial Accounting Standards No. 124, "Accounting for Investments held by

LIFESPIRE, INC. AND SUBSIDIARY
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June 30, 2008

Not-For-Profit Organizations," investments have been measured at fair value determined by quoted market prices and realized and unrealized gains and losses are reported in the Statement of Activities. Income from investments is considered unrestricted net assets unless restricted by a donor. Management reviews for declines other than temporary.

Accounts Receivable - Net

All known uncollected accounts receivable have been written down to the collectible value as of June 30, 2008. In addition, there exists a reserve for doubtful accounts of \$19,106 as of June 30, 2008 for accounts receivable. The allowance for doubtful accounts is established through provisions charged against income and is maintained at a level believed adequate by management to absorb estimated bad debts based on current economic conditions. Management uses 5% of subcontract accounts receivable as the basis for the calculation of allowance for doubtful accounts.

Accrued Income Receivables and Program Service Fees

The Agency receives a major portion of its program service fees from Medicaid in conjunction with the New York State Office of Mental Retardation and Developmental Disabilities (OMRDD). Program service fees are also received from the Social Security Administration and directly from OMRDD. Rates of reimbursement derived from cost based methodologies are established annually by OMRDD. Substantially all of the accrued income receivables of \$14,105,706 are due from these governmental agencies.

Property, Plant and Equipment

Property and equipment is stated at cost less accumulated depreciation. Maintenance and repairs are charged to expense as incurred; major improvements are capitalized in accordance with funding source guidelines. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the term of the lease.

The Agency reviews long-lived assets to determine whether there has been any permanent impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable. If the sum of the expected future discounted cash flows is less than the carrying amount of the assets, the Agency recognizes an impairment loss. No impairment losses were recognized for the year ended June 30, 2008.

Deferred Income

The Agency records unearned advances to fee for service revenue as deferred revenue until it is expended for the purpose of the funding source, at which time it is recognized as revenue. The balance in deferred revenue as of June 30, 2008 represents amounts received for various programmatic operations that will be recognized as revenue in the future, as it is earned.

LIFESPIRE, INC. AND SUBSIDIARY
(a Not-for-Profit Organization)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2008

Bond Costs

Bond Costs which reflect bond premiums and discounts are amortized over the life of the bonds. Amortization expense of these costs for the year ended June 30, 2008 is \$108,292. These costs are included in interest, fees and bond expense.

Contributions

Contributions - Contributions are considered to be available for unrestricted use unless specifically raised for special purposes or designated by the donor.

Restricted Contributions - The Agency reports gifts of cash and other assets as 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 to unrestricted net assets and reported in the same statement of activities as net assets released from restrictions. If the restriction will be satisfied within one year, then the Agency would record the contribution as temporarily restricted net assets and reallocate to unrestricted net assets when the restriction is satisfied.

In-Kind Contributions

In-kind contributions consist of property and services donated by state agencies and individuals. The value placed by the state agencies and individuals are used for valuing the contribution received. These properties were recorded as unrestricted and the related depreciation taken was recorded as unrestricted. If no value is provided by donor, an estimated value is placed by the Agency.

Start-Up Costs

The American Institute of Certified Public Accountants issued Statement of Position (SOP) 98-5, "Reporting on the Costs of Start-Up Activities", in April 1998. The SOP requires that certain costs related to the organization of a new entity, a new business line or product or location be expensed as incurred. This SOP is followed by the Agency and the funding source which governs the program for which such start up expenses were incurred.

Revenue Recognition

Support and revenue is recognized on a fee for service basis for service arrangements with various consumers and/or customers. Revenue is recognized contingent to services being rendered. The reimbursements received from certain funding sources are subject to reconciliations. The funding sources may request return of reimbursements for noncompliance.

Contributed Services

Time is donated to the Agency by various volunteers. The value of this time is deemed to be immaterial, and therefore has not been reflected in the accompanying consolidated financial statements.

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Rent Expense

Rent expense is recognized based upon the obligations required by the leases as the funding sources fully reimbursed the Agency for rent expense for the year ended June 30, 2008. This is a departure from generally accepted accounting principles which requires that rent expense be recognized on a straight-line basis over the term of the lease. Rent expense would increase by \$121,933 based upon a calculation of deferred rent expense. Pursuant to the Agency's funding regulations, this amount was not recorded as it would result in additional income being recorded to offset the additional rental expense incurred. Rent expense for the year ended June 30, 2008 was \$6,045,292.

Functional Allocation of Expenses

The costs of providing for the programs are summarized on a functional basis in the statement of functional expenses. Expenses that can be directly identified with the program or supporting service to which they relate are charged accordingly. Other expenses by function have been allocated among program and supporting services classifications using bases determined by management to be reasonable.

2. CASH AND CASH EQUIVALENTS:

The Agency considers all highly liquid financial instruments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents are held in interest bearing checking and savings accounts at financial institutions.

The Agency has restricted cash in the amount of \$42,604 which represents the unspent amount received from temporarily restricted contributions. The Agency also has restricted cash in the amount of \$75,860 which represents payments returned to the Agency by Aetna for the 403(b) tax sheltered annuity plan for employees who have not elected to participate.

In addition, the Agency has restricted cash in the amount of \$1,266,533 which represents unspent monies received from OMRDD to be distributed to the Health Reimbursement Accounts for certain employees.

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3. INVESTMENTS:

For the year ended June 30, 2008, the Agency's investments (including gains and losses on investments bought, sold, and held during the year) appreciated in value by \$11,105 as follows:

	6/30/08	
	Cost	Fair Value
Bank Certificates of Deposit:		
Bank of America	\$ 490,304	\$ 490,304
UBS Financial Services	97,794	101,270
Smith Barney	944,985	952,614
Chase	327,544	327,544
Total Bank Certificates of Deposit	1,860,627	1,871,732
Chase and HSBC Money Market Funds	197,002	197,002
	\$ 2,057,629	\$ 2,068,734
Less: Securities at cost (2,057,629)		
Net cumulative unrealized gain		11,105
Add: Unrealized loss recognized in prior periods (19,725)		
Increase in unrealized gain for the year ended June 30, 2008		30,830
Net appreciation in fair value of investments for the year ended June 30, 2008	\$	30,830

At June 30, 2008, the fair market value of the Agency's investments (including gains and losses on investments bought, sold, and held during the year) was \$2,068,734 as follows:

	6/30/08
Fair market value - beginning of year	\$ 1,991,260
Investment activity:	
Interest/Dividends	86,664
Reinvestments, withdrawals and Fees	(53,906)
Purchases	1,130,000
Sales (at cost)	(1,096,389)
	2,057,629
Net increase in fair value of investments:	
Realized gains (losses)	
Unrealized gains (losses)	11,105
Total net increase in fair value of investments	11,105
Fair market value - end of year	\$ 2,068,734

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4. NOTE RECEIVABLE FROM RELATED PARTY:

The Agency is owed an amount of \$140,203 from a related party, not-for-profit corporation. The Agency has a note receivable with interest computed at 9 percent per annum.

Additionally, there is an amount owed of \$6,249 as of June 30, 2008 from this corporation for expense and management fee reimbursement. The \$6,249 is included in accounts receivable - net. The Agency uses space for certain program operations at one site which is owned by a different related party, not-for-profit corporation. The Agency is a related party in that certain staff members of the Agency are also Board members of this other not-for-profit corporation.

Management periodically reviews the related party accounts to determine if an allowance is necessary. Accounts receivable have been adjusted for all known uncollectible accounts. Management reviews the accounts receivable to determine if an allowance is necessary. For the year ended June 30, 2008 no allowance was necessary because the related accounts receivable balance was determined to be fully collectable.

The Agency has a controlling interest in several other not-for-profit entities. The Agency provided start up funds to those entities to assist in the organization process. Although these transactions involve an economic interest in those entities, they were immaterial to the accompanying consolidated financial statements, and accordingly, have been omitted from them.

5. ASSETS RESTRICTED TO INVESTMENT IN PROPERTY, PLANT AND EQUIPMENT:

As of June 30, 2008, the Agency had the following assets restricted to investment in property, plant and equipment:

Debt Service Reserve - MCFFA (DASNY)	\$ 401,875
Debt Service Reserve/Escrow Balance - IDA - Bond 2002	540,205
Debt Service Reserve/Escrow Balance - IDA - Bond 2004	683,042
Debt Service Reserve/Escrow Balance - IDA - Bond 2008	292,540
Cash - Recoupment's Payable	4,923,160
	\$ 6,840,822

The debt service reserve - MCFFA amount of \$401,875 represents a portion of the loan proceeds retained by the New York State Medical Care Facilities Finance Agency (MCFFA) under the terms and conditions in the loan agreement.

The monies are designated to be applied to scheduled debt service payments in the future. In 1996, the debt service reserve amounts were transferred to the Dormitory Authority of the State of New York (DASNY).

The debt service reserve/escrow balance - IDA - Bond 2002 amount of \$540,205 represents a portion of the loan proceeds, in addition to subsequent payments made by the Agency, that were deposited into accounts setup with the Bank of New

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York. The Agency's monthly payments are deposited into one of these accounts until payments to the bondholders are required pursuant to the agreement (refer to Note 14 for more detail).

The debt service reserve/escrow balance - IDA - Bond 2004 amount of \$683,042 represents a portion of the loan proceeds, in addition to subsequent payments made by the Agency, that were deposited into accounts setup with the Bank of New York. The Agency's monthly payments are deposited into one of these accounts until payments to the bondholders are required pursuant to the agreement (refer to Note 14 for more detail).

The debt service reserve/escrow balance - IDA - Bond 2008 amount of \$292,540 represents a portion of the loan proceeds, in addition to subsequent payments made by the Agency, that were deposited into accounts setup with the Bank of New York. The Agency's monthly payments are deposited into one of these accounts until payments to the bondholders are required pursuant to the agreement (refer to Note 14 for more detail).

The cash amount of \$4,923,160 represents various amounts received from funding sources that will be used to pay amounts included within recoupment's payable.

6. TEMPORARILY RESTRICTED NET ASSETS:

The changes in contributions, which comprise the Agency's temporarily restricted net assets for the year ended June 30, 2008, which are available for use in future years, were as follows:

	Balance 07/01/07	Additions	Expenditures	Balance 06/30/08
Program	\$ 42,580	\$ 2,200	\$ (2,176)	\$ 42,604

7. PROPERTY, PLANT AND EQUIPMENT:

As of June 30, 2008, detailed information is as follows:

	Cost	Estimated Useful Lives
Land	\$ 4,509,267	-
Buildings and improvements	20,147,046	5-20 Years
Furniture and equipment	2,280,759	5 Years
Vehicles	598,266	4 Years
Leasehold improvements	5,372,981	10-20 Years
	32,908,319	
Less: accumulated depreciation and amortization	(14,367,065)	
Construction in progress	1,274,861	
	\$ 19,816,115	

The above amounts include land and buildings which were donated to the Agency

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by OMRDD. The Agency is subject to adhering to certain terms, conditions and restrictions as to the use and ultimate disposition of these properties as further delineated in the disposition and subordination agreements entered into with the funding source.

Depreciation and amortization expense for the year ended June 30, 2008 is \$2,050,320.

8. RECOUPMENTS PAYABLE:

The amount of \$4,923,160 consists of amounts of reimbursement received from certain funding sources, which are in excess of amounts earned, and amounts for which the scheduled recoupment differs from the actual recoupment made through June 30, 2008. The funding sources are expected to recover these amounts in the future through the recoupment process.

9. DEFERRED INCOME:

Deferred income of \$2,301,154 include amounts received from various funding sources over the years for various programmatic operations but not earned as revenue as of June 30, 2008. Some of these liabilities relate to the New York State Office of Mental Retardation and Developmental Disabilities (OMRDD). These liabilities do not bear interest and will be recognized as revenue periodically in the future as it is deemed to be earned.

10. DUE TO FUNDING SOURCES:

The due to funding sources amount of \$243,684 includes an amount of \$8,966, which represents various maximum potential contested liabilities for proposed contract adjustments with certain funding sources for prior periods.

The balance of \$234,718 represents a liability due back to OMRDD as a result of certain "desk-audits" performed on certain programs by OMRDD. These "desk-audits" were the result of a statewide requirement by OMRDD and other governmental agencies, due to the clarification and revisions of certain policies and procedures set forth by OMRDD and these other governmental agencies.

11. MORTGAGES PAYABLE - DASNY:

Mortgages payable - DASNY amounting to \$4,662,764 represent self-liquidating term notes owed to the Dormitory Authority of the State of New York (DASNY) which has as its agent OMRDD. Some of the notes were originally related to New York State Medical Care Facilities Finance Agency (MCFFA) improvement bonds loaned to the FDC. The DASNY is the successor to the MCFFA and in 1996 FDC projects were transferred to DASNY. In 1996, the MCFFA bonds were refunded by the issuance of DASNY Mental Health Services Facilities Improvement Revenue Bonds.

Periodic recoupments are expected to continue to be made by OMRDD from the Agency, for remittance to FDC to satisfy the debt service and administration fees. The payments are first applied to interest and then to principal. The Agency has

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and/or will receive additional amounts of reimbursement as an increase to its per diem rates to repay these recoupments. The notes are collateralized by (1) the real property located at each of the sites (2) all accounts receivable generated from billings related to the respective locations and (3) all personal property owned by the Agency located at each of the sites. The Agency is entitled to credits in an amount equal to the past accrued interest earned on the Debt Service Reserve Fund for some of the above-mentioned liabilities. When such credits are determined and applied to the corresponding mortgages, then those mortgage liabilities will be reduced accordingly.

Additional information for the mortgages payable - DASNY is reflected below:

Project Name	Maturity Date	Fixed Interest Rate	Total
Racal Court	2/15/13	7.37%	\$ 183,250
South Ave.	8/15/15	7.68%	204,616
213-233 48 th St. (Sunset I)	2/15/18	7.34%	855,610
87-21 121 st St. (Queens)	2/15/18	6.41%	2,221,500
Jumel	8/15/18	6.41%	828,250
Esplanade	2/15/11	5.44%	89,200
208th St.	8/15/10	5.81%	132,289
94th St.	8/15/10	5.81%	148,049
Total Mortgages Payable - DASNY			\$ 4,662,764

The Mortgage balances for 213-233 48th Street and 87-21 121st Street locations are for the Day Treatment and Day Habilitation Programs. Commencing with the fiscal year ended June 30, 2004, OMRDD allocates a portion of the bond (mortgage) payable to a separate Day Habilitation MMIS Provider number for debt recovery purposes. However, the total indebtedness does not change.

12. NOTES PAYABLE:

The Agency has a line of credit agreement with J.P. Morgan Chase for a maximum of \$5,000,000 that is due January 5, 2009. The proceeds of the line of credit were to be used for operating expenses. Interest is charged to the line of credit at the bank's floating rate of prime plus 1% and is secured by a lien on Agency government receivables. These government receivables totaled \$14,105,706 at June 30, 2008. There was no outstanding balance as of June 30, 2008.

Under the terms of a line of credit agreement with Bank of America on July 14, 2008, the Agency may borrow up to \$5,000,000 at the bank's prime interest rate plus 0.5% through March 31, 2009, when the agreement expires. The Agency's property has been pledged as collateral against any advances on the line of credit. As of June 30, 2008, there was an outstanding balance of \$1,931,569.

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13. BONDS PAYABLE-DASNY:

Bonds payable DASNY amounting to \$170,000 represent amounts owed relating to the DASNY New York State Rehabilitation Association (NYSRA) Pooled Loan Program No. 1 Insured Revenue Bonds, Series 2001A and 2001B (the "Bonds"). Please refer to the Bond Offering Statement dated April 1, 2001 for additional information.

The Agency used the bond proceeds to refinance \$1,052,877 of indebtedness on three properties. The interest rate is 4.0 percent on the Series 2001A Bonds (\$1,100,000) and 6.75 percent on the Series 2001B Bonds (\$45,000). The interest is payable to the bondholders on a semi-annual basis commencing on July 1, 2001. The cost of the bond issuance amounted to \$99,181, of which \$99,181 was amortized as of June 30, 2008. The amount of \$170,000 represents the bond principal due with an effective interest rate of 3.82%. The costs of issuance, the net premium, and the discount are being amortized over the term of the Bond obligation.

Payments of interest and principal under the Loan Agreement are to be made monthly on the 10th day of each month into the Debt Service Reserve Fund by the Agency. As of June 30, 2008, the principal amount of \$140,000 was paid in full by the Agency, as well as all interest and fees associated with the July 1, 2008 payment to the bondholders. The Agency satisfied these obligations during June 30, 2008 by virtue of periodic recoupments made by OMRDD from its rates of reimbursement for those programs that are operated at these sites. The principal payments of the consolidated debt owed to the bondholders are as follows:

Due Date	Principal Due
July 1, 2008	\$ 140,000
2009	30,000
	\$ 170,000

The assignment of the Assigned Medicaid Funds to the DASNY was put into effect during the fiscal year ended June 30, 2002. Once the DASNY receives the Assigned Medicaid Fund, the monies are sent to State Street Bank and Trust Company (the Trustee) and held there until each scheduled payment to the bondholders is made by the Bondmaster. The Agency expects that, periodically, OMRDD will adjust the IRA per diem rate to provide the Agency with the appropriate amount of reimbursement to repay the debt principal, related interest and fees.

The Series 2001 Bonds will be secured ratably by the pledge and assignment to the Trustee of the Revenues and the DASNY's security interest in the Pledged Revenues, subject to Prior Pledges. Please refer to the Bond Offering Statement dated April 1, 2001 for additional information.

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14. BONDS PAYABLE-IDA:

Bonds payable - IDA totaling \$12,200,000 are made up of the following bonds payable at June 30, 2008:

Series	Due Date	Principal Due
2002 C-1	July 1, 2017	\$ 2,980,000
2004 A-1 and B-1	July 1, 2023	4,430,000
2004 C-1	July 1, 2014	785,000
2008 A-1 and A-2	July 1, 2033	4,005,000
Total IDA Bonds Payable		\$ 12,200,000

Bonds payable - IDA - 2002 amounting to \$2,980,000 represent amounts owed relating to Industrial Development Agency Financing (Special Needs Facility Pooled Program) with the New York City Industrial Development Agency Series 2002 C1.

The interest rate is based on a life average rate of 7.631763% on the Series 2002 C1 Bond (\$2,980,000). The interest is payable to the bondholders on a semi-annual basis commencing on July 1, 2003. The principal is payable to the bondholder on an annual basis also commencing on July 1, 2003. The cost of the bond issuance amounted to \$395,027 (\$380,027 was incurred when the bond closed and \$15,000 was incurred prior to the bond closing), of which \$138,047 was amortized as of June 30, 2008. The costs of issuance are being amortized over the term of the bond obligations.

Payments of interest and principal under the Loan Agreement are to be made monthly and deposited into one of the Agency's Debt Service Reserve accounts (please see Note 5 for more information) until it comes due to pay the bondholders for interest and/or principal.

The principal payments of consolidated debt owed to the bondholders are as follows:

Due Date	Principal Due
July 1,	
2008	\$ 255,000
2009	260,000
2010	265,000
2011	270,000
2012	270,000
Thereafter	1,660,000
	\$ 2,980,000

Bonds Payable - IDA - 2004 amounting to \$5,215,000 represents amounts owed relating to Industrial Development Agency Financing (Special Needs Facility Pooled Program) with the New York City Industrial Development Agency Series 2004 A1 and B1, and Series 2004 C1.

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The Agency used the Series A1 and B1 bond proceeds to refinance \$4,112,273 of indebtedness on four properties. The interest rate is based on a life average rate of 8.890508% on the Series 2004 A1 and B1 (\$4,430,000). The interest is payable to the bondholders on a semi-annual basis commencing on July 1, 2004. The principal is payable to the bondholder on an annual basis also commencing on July 1, 2004.

The cost of the bond issuance amounted to \$685,629 (\$694,975 was incurred when the bond closed less \$9,346 reimbursed after the bond closing), of which \$144,343 was amortized as of June 30, 2008. The costs of issuance are being amortized over the term of the bond obligations.

Payments of interest and principal under the Loan Agreement are to be made monthly and deposited into one of the Agency's debt service reserve accounts (please see Note 5 for more information) until it comes due to pay the bondholders for interest and/or principal.

The principal payments of consolidated debt owed to the bondholders are as follows:

Due Date	Principal Due
July 1,	
2008	\$ 475,000
2009	355,000
2010	355,000
2011	360,000
2012	360,000
Thereafter	2,525,000
	\$ 4,430,000

The Agency used the Series C1 bond proceeds to finance \$805,621 of indebtedness on one property and to pay off a balance due on one line of credit. The interest rate is based on the life average rate of 5.96% on the Series 2004 C1 (\$785,000). The interest is payable to the bondholders on a semi-annual basis commencing on January 1, 2005. The principal is payable to the bondholders on an annual basis commencing on July 1, 2005. The cost of the bond issuance amounted to \$50,095, of which \$13,453 was amortized as of June 30, 2008. The cost of bond discounts amounted to \$41,281, of which \$15,480 was amortized as of June 30, 2008. The costs of issuance and discounts are being amortized over the term of the Bond obligations.

Payments of interest and principal under the Loan Agreement are to be made monthly and deposited into one of the Agency's Debt Service Reserve accounts (please see Note 5 for more information) until it comes due to pay the bondholders for interest and/or principal.

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The principal payments of consolidated debt owed to the bondholders are as follows:

Due Date	Principal Due
July 1, 2008	\$ 100,000
2009	100,000
2010	110,000
2011	110,000
2012	115,000
Thereafter	250,000
	<u>\$ 785,000</u>

Bonds payable - IDA - 2008 amounting to \$4,005,000 represent amounts owed relating to Industrial Development Agency Financing (Special Needs Facility Pooled Program) with the New York City Industrial Development Agency Series 2008 A. These bonds are segregated into Series 2008 A-1 and Series 2008 A-2 (taxable).

The interest rate is based on a life average rate and is disclosed in the bond agreement. The interest is payable to the bondholders on a semi-annual basis commencing on July 1, 2008. The principal is payable to the bondholder on an annual basis also commencing on July 1, 2008. The cost of the bond issuance amounted to \$265,634 of which \$24,812 was amortized as of June 30, 2008. The costs of issuance are being amortized over the term of the bond obligations. Pursuant to the bond agreement, there is a first lien on the properties being mortgaged except for the facility located at 213 48th Street, Brooklyn which carries a second lien.

Payments of interest and principal under the Loan Agreement are to be made monthly and deposited into one of the Agency's Debt Service Reserve accounts (please see Note 5 for more information) until it comes due to pay the bondholders for interest and/or principal.

The principal payments of consolidated debt owed to the bondholders are as follows:

Due Date	Principal Due
July 1, 2008	\$ 140,000
2009	390,000
2010	370,000
2011	265,000
2012	260,000
Thereafter	2,580,000
	<u>\$ 4,005,000</u>

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The Agency expects that, periodically, OMRDD will adjust the IRA per diem rate to provide the Agency with the appropriate amount of reimbursement to repay the debt principal, related interest and fees. The Series 2002 C1, 2004 A1, B1, and C1, as well as Series 2008 A-1 and A-2 bonds will be secured ratably by the pledge and assignment to the Trustee of the Revenues and the IDA's security interest in the pledged revenues, subject to Prior Pledges. Please refer to the Bond Offering Statement dated January 10, 2003 for additional information on Series 2002 Bonds, the Bond Offering Statement dated February 27, 2004 for additional information on the 2004 Series A1 and B1 bonds, the Bond Offering Statement dated July 15, 2005 for additional information on the Series 2004 C1 bonds, as well as the Bond Offering Statement dated January 30, 2008 for additional information on the Series 2008 A1 and A-2 bonds.

15. MATURITIES OF DEBT:

Approximate maturities of short-term and long-term debt are as follows:

June 30,	
2009	\$ 5,317,543
2010	1,830,350
2011	1,848,650
2012	1,703,138
2013	1,691,725
Thereafter	14,040,928
	<u>\$ 26,432,334</u>

The short-term and long-term debt is comprised of the following:

Recoupments Payable	\$ 4,923,160
Deferred Income	2,301,154
Due to Funding Sources	243,684
Mortgages Payable - DASNY	4,662,764
Bonds Payable - DASNY	170,000
Bonds Payable - IDA	12,200,000
Notes Payable	1,931,569
	<u>\$ 26,432,331</u>

16. BOARD DESIGNATED FUND:

The board designated fund (the Fund) is used to account for certain assets of the Agency which are earmarked for future programmatic expansion purposes. The Fund is used to help alleviate the ongoing financial pressure due to the timing of the collection of government funding, the limitation of available government funding and to supplement fund raising activities. The Agency has minimal monthly cash needs of approximately \$7,800,000 to finance its programmatic operations.

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17. PRIOR PERIOD REVENUE:

The prior period revenue of \$593,806 is comprised of typical retroactive rate adjustments attributable to various programs.

18. DEFINED BENEFIT PENSION PLAN:

The Agency has a defined benefit pension plan covering all of its eligible employees. The benefits are based on years of service and the employee's highest five years of compensation during the last ten years of employment. The Agency's funding policy is to contribute annually the required amount that should be deducted in accordance with federal income tax guidelines. The Agency's contributions for calendar year 2007 exceeded the minimum funding requirements of ERISA.

Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future. The employer contributions amounted to \$1,118,908 and the benefits paid amounted to \$440,182 during the fiscal year ended June 30, 2008. The Agency expects to contribute \$1,120,000 to its pension plan in the fiscal year ended June 30, 2008.

Prior to June 30, 1993, the amount expensed in the employer's financial statements for a qualified defined benefit pension plan was generally equal to the amount contributed. Under the Statement of Financial Accounting Standards Number 87 (SFAS) this is no longer true. IRS rules continue to govern the determination of the annual required employer contributions. SFAS number 87 rules, completely independent of IRS funding guidelines, now govern the determination of the amount that must be expensed each year. There is no connection between the two sets of requirements. Amounts expensed may be higher or lower than actual dollar contributions.

Under SFAS number 87, a liability (underfunded pension obligation) is disclosed at fiscal year end. The underfunded pension obligation is a compilation of the excess of total past and future amounts expensed to date over past amounts contributed. Since amounts expensed each year were not consistent with SFAS number 87 requirements, there is a cumulative amount totaling \$5,635,632 of underfunded pension obligation as of June 30, 2008.

The following table sets forth the plan's funded status and amounts recognized in the Agency's statement of financial position at June 30, 2008:

Benefit obligation as of June 30, 2008	\$ (23,898,391)
Plan assets at fair value at end of measurement	
period primarily listed stocks and U.S. bonds	18,262,759
Funded Status at June 30, 2008	(5,635,632)
<u>Underfunded Pension Obligation</u>	<u>\$ (5,635,632)</u>

The accumulated benefit obligations for the year ended June 30, 2008 was \$19,709,436.

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Net pension cost for the fiscal year ended June 30, 2008 included the following components:

Service cost-benefits earned during the period	\$ 1,032,815
Interest cost on projected benefit obligation	1,465,142
Expected return on plan assets	(1,543,400)
Amortization of loss and prior service cost	212,092
<u>Net periodic pension cost</u>	<u>\$ 1,166,649</u>

Assumptions Weighted Average

Discount Rate	6.85%
Expected Return on Plan Assets	N/A
Rate of Compensation Increase	3.00%

The pension plan asset allocations at June 30, 2008, by asset category are as follows:

<u>Asset Category</u>	<u>Percentage of Plan Assets</u>
Equity securities	62%
Fixed income	32%
Other	6%
	<u>100%</u>

Expected Future Benefits

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

<u>Fiscal Year</u>	<u>Pension Benefits</u>
<u>Beginning</u>	
2008	\$ 548,753
2009	592,102
2010	686,729
2011	709,726
2012	865,002
Thereafter	6,653,394
	<u>\$ 10,055,706</u>

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19. POSTRETIREMENT HEALTH CARE BENEFIT PLAN:

The Agency sponsors a defined benefit postretirement health care benefit plan.

Plan Provisions

Retired Prior to January 1, 2000

For certain long-service employees, the plan will pay the monthly premium for the participant (and eligible spouse) to continue coverage under the pre-2000 postretirement plan.

Retired January 1, 2001 and Later

For employees who retire on or after age 65 with at least 20 years of service, the Agency will enroll the retiree and eligible spouse in an AARP Medicare Supplement plan and contribute the following towards such coverage (for each retiree and eligible spouse):

-- 20 years of service	Plan E	--\$130.25 per month
-- 25 years of service	Plan G	--\$152.25 per month
-- 30 years of service	Plan I	--\$259.00 per month

For employees who retire between ages 62 and 65, with the requisite years of service, the Agency will contribute, as per the above schedule, towards coverage under the current active employee's plan, until Medicare eligibility. At that time, the retiree will be treated in the same fashion as a post-65 retiree.

If an eligible spouse is not Medicare eligible, the Agency will contribute towards coverage under the current active employees' plan in an amount based on the retiree's service as described above.

Determination of the FAS106 Expense for the Fiscal Year

July 1, 2007 through June 30, 2008:

(1) Service Cost	\$ 184,451
(2) Interest Cost	200,840
(3) Amortization:	
(a) Transition obligation	0
(b) Prior service cost	63,914
(c) (Gain)/Loss	0
(d) Total amortization	63,914
(4) FAS 106 Expense - July 1, 2007 - June 30, 2008	\$ \$449,205

LIFESPIRE, INC. AND SUBSIDIARY
(a Not-for-Profit Organization)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2008

Reconciliation of Funded Status for the Fiscal Year Ended June 30, 2008:

(1) Accumulated postretirement benefit obligation at June 30, 2008	(3,077,661)
(2) Net amount recognized at June 30, 2008 -- included within accounts payable and accrued expenses	(3,077,661)

Assumptions:

Discount Rates:	
Expense	6.85%
Disclosure	6.85%
Mortality:	1994 Group Annuity Mortality Table
Claim cost:	Monthly premium
Trend:	None

Expected Future Benefit Payments:

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

Fiscal Year Beginning	Postretirement Health Care
2008	\$ 53,973
2009	57,877
2010	72,463
2011	85,557
2012	105,573
Thereafter	888,443
	\$ 1,263,886

20. COMMITMENTS AND CONTINGENCIES:

General

Pursuant to the Agency's contractual relationships with certain funding sources, outside agencies have the right to examine the Agency's books and records which pertain to transactions relating to these contracts. The financial statements do not include a provision for possible disallowances and reimbursements. Management believes that any actual disallowances, if any would be immaterial. In addition, certain agreements provide that certain property, plant and equipment owned by or on loan to the Agency (see Note 8) be utilized by the Agency for its continued ownership, since the costs of such property and equipment were funded under these agreements.

There are certain amounts of real and personal property used by the Agency in its program operations which is owned by New York State and/or other governmental sources. The Agency uses some of these real and personal properties at no cost. The value of the benefit received for use of these real and personal properties is not

LIFESPIRE, INC. AND SUBSIDIARY
(a Not-for-Profit Organization)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2008

readily measurable and is not recorded in the financial statements.

The Agency has a number of pending lawsuits against them for a variety of reasons. The alleged claims are being handled by legal counsel and/or by its insurance providers. In the opinion of the Agency's legal counsel, and in the opinion of management, there is no basis to establish a liability for any loss contingency due to lack of merit or insurance coverage exceeding expected settlement amounts.

Operating Leases

The Agency is obligated pursuant to real property lease agreements for minimum monthly rentals for its administrative and program operations as follows:

June 30,		
2009	\$	5,522,494
2010		4,507,236
2011		4,146,795
2012		3,877,156
2013		3,089,844
Thereafter		13,219,961
	\$	34,363,487

A renewal option allows the Agency, at its sole option, the right to extend some of the leases for an additional five-year period with a predetermined rent base amount with annual rent percentage increases. Various leases have rent escalations in which various predetermined annual percentage increases exist throughout the lease periods. A clause exists whereby, in the event that real estate taxes increase during the term of some of the leases, the Agency shall pay any increases in real estate taxes over the base year.

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21. 403(b) TAX – SHELTERED ANNUITY PLAN:

The Agency offers a 403(b) Tax-Sheltered annuity plan for all employees who are eligible and elect to participate. The plan is governed by IRS regulations setting the limits on the amount that employees may contribute and the conditions to withdraw monies from it. The employees each own their individual annuity plan and are responsible for deciding the amount of contributions they wish to make each year (up to the maximum stipulated by the IRS) and how the funds may be invested.

22. CONCENTRATION OF CREDIT RISK:

The Agency has maintained bank balances that often exceed the limit of the Federal Depository Insurance Corporation (FDIC) insurance coverage. The Agency verifies on a quarterly basis the equity strength and profitability of the banks it uses in order to minimize the risk.

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APPENDIX B-II

PAUL J. COOPER CENTER FOR HUMAN SERVICES, INC.

AUDITED FINANCIAL STATEMENTS

FISCAL YEARS 2010, 2009 AND 2008

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PAUL J. COOPER CENTER FOR HUMAN SERVICES, INC.
FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

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SATTY, LEVINE & CIACCO, CPAs, P.C.
Certified Public Accountants & Business Advisors

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
 Paul J. Cooper Center for Human Services, Inc.

We have audited the accompanying statements of financial position of Paul J. Cooper Center for Human Services, Inc. (a nonprofit organization) as of June 30, 2010 and 2009 and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Paul J. Cooper Center for Human Services, Inc. as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Satty Levine & Ciacco CPAs P.C.

Satty, Levine & Ciacco, CPAs, P.C.
 Jericho, New York
 December 1, 2010

PAUL J. COOPER CENTER FOR HUMAN SERVICES, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
ASSETS:		
Cash	\$ 222,308	\$ 272,647
Accounts receivable	1,185,972	879,799
Prepaid expenses	8,372	3,490
Property and equipment (net)	2,530,473	2,591,427
Security deposits	<u>114,335</u>	<u>34,335</u>
TOTAL ASSETS	\$ 4,061,460	\$ 3,781,698
LIABILITIES:		
Accounts payable and accrued expenses	\$ 507,854	\$ 674,489
Accrued vacation	271,787	249,459
Accrued salaries and taxes	154,195	126,583
Due to OMRDD	187,926	134,824
Due to NYS OMH	665,588	758,666
Mortgage payable	<u>1,707,518</u>	<u>1,773,179</u>
TOTAL LIABILITIES	3,494,868	3,717,200
NET ASSETS:		
Unrestricted net assets (Deficit)	201,590	(300,504)
Temporarily restricted net assets	<u>365,000</u>	<u>365,000</u>
TOTAL NET ASSETS	566,590	64,496
TOTAL LIABILITIES AND NET ASSETS	\$ 4,061,460	\$ 3,781,698

See independent auditors' report and notes to the financial statements

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PAUL J. COOPER CENTER FOR HUMAN SERVICES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL 2010	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL 2009
REVENUE AND OTHER SUPPORT:						
Net patient and residential fees	\$ 8,795,524	\$ -	\$ 8,795,524	\$ 8,388,024	\$ -	\$ 8,388,024
Grants and contribution income	71,344	-	71,344	91,901	-	91,901
Interest income	1,456	-	1,456	602	-	602
Other revenue	430,362	-	430,362	9,435	-	9,435
TOTAL REVENUE AND OTHER SUPPORT	9,298,686	-	9,298,686	8,489,962	-	8,489,962
EXPENSES:						
PROGRAM SERVICES						
Intermediate care facilities	2,174,162	-	2,174,162	2,152,481	-	2,152,481
Mental health clinic	831,014	-	831,014	837,169	-	837,169
Alcoholism clinic	1,146,089	-	1,146,089	1,112,063	-	1,112,063
Medicaid service coordination	97,259	-	97,259	91,761	-	91,761
Individual residential alternatives	3,131,390	-	3,131,390	2,928,416	-	2,928,416
Peer to peer recovery services	69,419	-	69,419	-	-	-
TOTAL PROGRAM SERVICES	7,449,333	-	7,449,333	7,121,890	-	7,121,890
SUPPORT SERVICES						
Management and general	1,285,088	-	1,285,088	1,113,360	-	1,113,360
Fundraising	62,171	-	62,171	55,540	-	55,540
TOTAL SUPPORT SERVICES	1,347,259	-	1,347,259	1,168,900	-	1,168,900
TOTAL EXPENSES	8,796,592	-	8,796,592	8,290,790	-	8,290,790
CHANGE IN NET ASSETS	502,094	-	502,094	199,172	-	199,172
UNRESTRICTED NET ASSETS (DEFICIT):						
Beginning of year	(300,504)	365,000	64,496	(499,676)	365,000	(134,676)
End of year	\$ 201,590	\$ 365,000	\$ 566,590	\$ (300,504)	\$ 365,000	\$ 64,496

See independent auditors' report and notes to the financial statements

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PAUL J. COOPER CENTER FOR HUMAN SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010

EXPENSES:	PROGRAM SERVICES					SUPPORT SERVICES			TOTAL EXPENSES	
	ICF PROGRAMS	MENTAL HEALTH	ALCOHOL CLINICS	MSC PROGRAMS	IRA PROGRAMS	PEER TO PEER RECOVERY SERVICES	TOTAL PROGRAM SERVICES	MANAGEMENT AND GENERAL		FUNDRAISING
Salaries and wages	\$ 1,191,170	\$ 331,416	\$ 506,540	\$ 73,122	\$ 1,841,951	\$ 41,584	\$ 3,987,792	\$ 507,495	\$ -	4,495,287
Payroll taxes and employee benefits	318,907	71,927	140,660	18,726	465,915	10,525	1,026,660	144,016	-	1,170,676
Food	56,939	192	68,495	-	83,288	-	208,914	2,018	-	210,932
Maintenance	44,758	7,895	29,069	-	73,897	-	156,519	34,018	758	191,295
Rent and utilities	109,503	85,469	243,341	-	107,712	-	546,225	291,967	-	838,192
Client travel	-	38,065	63,271	-	70	-	101,406	-	-	101,406
Staff travel	12,892	180	9	-	16,765	-	29,846	9,704	-	39,550
Client incidentals	22,052	279	6,908	-	31,416	2,250	62,925	1,014	-	63,939
Equipment purchased	-	-	-	-	-	-	-	350	-	350
Facility service assessment	14,302	-	-	-	-	-	143,027	-	-	143,027
Staff development	2,695	120	119	163	3,755	-	6,762	11,030	-	17,792
Contracted services	115,823	260,926	46,392	903	70,745	13,260	508,049	91,179	-	599,228
Supplies	15,762	8,836	14,646	205	42,665	900	83,014	32,007	-	115,021
Telephone	15,786	7,028	2,392	1,334	25,095	900	52,535	12,751	-	65,286
Insurance	29,976	6,891	10,938	1,917	41,321	-	91,043	10,836	-	101,879
Equipment rental/lease	13,584	96	2,180	-	22,245	-	38,105	317	-	38,422
Professional fees	-	-	-	-	-	-	-	94,669	-	94,669
Day training expense	25,082	-	-	-	-	-	35,082	-	-	35,082
Other expenses	21,091	11,694	7,604	889	72,992	-	114,260	37,062	61,413	212,735
Interest	-	-	-	-	132,262	-	132,262	-	-	132,262
Depreciation and amortization	22,995	-	2,616	-	97,296	-	124,907	4,655	-	129,562
TOTAL EXPENSES	\$ 2,174,162	\$ 831,014	\$ 1,146,089	\$ 97,259	\$ 3,131,390	\$ 69,419	\$ 7,449,333	\$ 1,285,088	\$ 62,171	\$ 8,796,592

See independent auditors' report and notes to the financial statements

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PAUL J. COOPER CENTER FOR HUMAN SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2009

	PROGRAM SERVICES					TOTAL PROGRAM SERVICES	SUPPORT SERVICES		TOTAL EXPENSES
	ICF PROGRAMS	MENTAL HEALTH	ALCOHOL CLINICS	MISC PROGRAMS	IRA PROGRAMS		MANAGEMENT AND GENERAL	FUNDRAISING	
EXPENSES:									
Salaries and wages	\$ 1,250,755	\$ 423,748	\$ 554,907	\$ 69,204	\$ 1,729,683	\$ 4,028,297	\$ 445,174	\$ -	\$ 4,473,471
Payroll taxes and employee benefits	271,454	83,056	100,034	17,277	421,325	893,146	119,187	-	1,012,333
Food	60,317	475	59,299	-	84,487	204,578	903	-	205,481
Maintenance	49,760	11,567	12,323	-	64,028	137,678	35,076	1,444	174,198
Rent and utilities	111,973	76,192	230,075	-	116,371	534,611	239,913	-	774,524
Real estate taxes	-	-	-	-	-	-	-	-	-
Client travel	59	31,786	59,460	-	171	91,476	140	-	91,616
Staff travel	12,608	441	61	-	16,501	29,611	9,288	-	38,899
Client incidentals	18,337	1,122	1,863	-	38,168	59,490	574	-	60,064
Equipment purchased	-	487	131	-	76	694	3,267	-	3,961
Facility service assessment	141,190	-	-	-	-	141,190	-	-	141,190
Staff development	4,775	-	342	-	2,929	8,046	14,188	-	22,234
Contracted services	90,613	174,450	49,217	199	38,339	352,818	31,530	-	384,348
Supplies	6,871	10,698	11,141	665	16,611	45,986	31,081	-	77,067
Telephone	16,753	9,774	7,566	1,585	26,547	62,225	15,546	-	77,771
Insurance	32,194	9,547	12,831	2,542	49,745	106,859	12,932	-	119,791
Equipment rental/lease	8,609	-	2,175	-	19,020	29,864	5,365	-	35,229
Professional fees	-	-	-	-	-	-	57,481	-	57,481
Day training expense	34,919	-	-	-	-	34,919	-	-	34,919
Other expenses	20,538	3,826	8,022	289	68,340	101,015	24,090	54,096	179,201
Interest	-	-	-	-	140,059	140,059	61,322	-	201,381
Depreciation and amortization	20,696	-	2,616	-	96,016	119,328	6,303	-	125,631
TOTAL EXPENSES	\$ 2,152,481	\$ 837,169	\$ 1,112,063	\$ 91,761	\$ 2,928,416	\$ 7,121,890	\$ 1,113,360	\$ 55,540	\$ 8,290,790

See independent auditors' report and notes to the financial statements

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PAUL J. COOPER CENTER FOR HUMAN SERVICES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 502,094	\$ 199,172
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	129,562	125,631
(Increase) decrease in:		
Accounts receivable	(306,173)	164,640
Prepaid expenses	(4,882)	(3,490)
Security deposits	(80,000)	147
Increase (decrease) in:		
Accounts payable and accrued expenses	(166,635)	55,843
Accrued vacation	22,328	(104,434)
Accrued salaries, taxes and interest payable	27,612	2,797
Due to OMRDD	53,102	(61,229)
Payroll tax liability	-	(109,488)
Due to NYS OMH	(93,078)	(83,860)
TOTAL ADJUSTMENTS	(418,164)	(13,443)
NET CASH FROM OPERATING ACTIVITIES	83,930	185,729
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(68,608)	(35,398)
NET CASH FROM INVESTING ACTIVITIES	(68,608)	(35,398)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from loan payable	25,000	-
Principal payments on mortgage payable	(90,661)	(69,010)
NET CASH FROM INVESTING ACTIVITIES	(65,661)	(69,010)
CHANGE IN CASH AND CASH EQUIVALENTS	(50,339)	81,321
CASH AND CASH EQUIVALENTS:		
Beginning of year	272,647	191,326
End of year	<u>\$ 222,308</u>	<u>\$ 272,647</u>
SUPPLEMENTAL DISCLOSURE:		
Cash paid during the year for interest	<u>\$ 132,262</u>	<u>\$ 201,381</u>

See independent auditors' report and notes to the financial statements

PAUL J. COOPER CENTER FOR HUMAN SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 1. ORGANIZATION AND BASIS OF PRESENTATION

A. ORGANIZATION

Paul J. Cooper Center for Human Services, Inc., (the "Organization"), is a not-for-profit organization incorporated under IRS Code 501(c)(3). The Organization's purpose is to develop and operate various programs that provide intermediate care facilities, community residences, individual residential alternatives, Medicaid service coordination, alcoholism clinic, mental health clinic and other programs. Programs operated by the Organization are as follows:

Intermediate Care Facility (ICF) – is licensed by the Office of Mental Retardation and Developmental Disabilities (OMRDD). The facility is providing active programming, room and board, and continuous 24 hours per day supervision.

Mental Health – is licensed by the New York State Office of Mental Health (OMH). The program provides treatment that designed to reduce symptoms, to improve patient functioning and to provide ongoing support.

Alcohol Clinics – is licensed by the New York State Office of Alcoholism and Substance Abuse Services (OASAS). The program provides individualized treatment plans to guide each patient in the recovery process and improve their quality of life.

Medicaid Services Coordination (MSC) – is licensed by the Office of Mental Retardation and Developmental Disabilities (OMRDD). The program assists persons with developmental disabilities and mental retardation in gaining access to necessary services and support appropriate to the needs of the individuals.

Individual Residential Alternatives (IRA) – is licensed by the Office of Mental Retardation and Developmental Disabilities (OMRDD). The program provides staff onsite and available at all times when consumers are presented.

B. BASIS OF PRESENTATION

The accompanying financial statements reflect the accounts and activities of Paul J. Cooper Center for Human Services, Inc. Financial statement presentation follows the recommendations of the Financial Accounting Standards Board authoritative guidance on *Financial Statements of Not-for-Profit Organizations*. Under this guidance, Paul J. Cooper Center for Human Services, Inc. is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets temporarily restricted net assets and permanently restricted net assets.

See independent auditors' report.

PAUL J. COOPER CENTER FOR HUMAN SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. CASH AND CASH EQUIVALENTS

The organization considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

B. ACCOUNTS RECEIVABLE

Accounts receivable are stated at the amount the Organization expects to collect from New York State.

C. PROPERTY AND EQUIPMENT

Building and equipment are stated at cost. Costs in excess of \$1,000 and the value of donated property and equipment are capitalized at fair market value. Depreciation is provided on the straight-line method over the estimated useful life of the asset. The estimated useful lives of assets are as follows:

Building and leasehold improvements	20-40 years
Auto and truck	5-10 years
Furniture, fixtures and equipment	5-7 years

D. CONTRIBUTIONS

The Organization accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board authoritative guidance on *Accounting for Contributions Received and Contributions Made*. In accordance with this guidance, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. All restricted contributions where the restrictions are met in the same period as received are reported as unrestricted contributions.

E. REVENUE

The majority of the Organization's total revenue and other support was derived from several governmental agencies within New York State and the City of New York. As of June 30, 2010 and 2009 substantially all the Organization's receivables were derived from the same state and city agencies.

F. FUNCTIONAL EXPENSE ALLOCATION

Costs incurred in providing the various program and support services are summarized on a functional basis in the statement of activities. Accordingly, these costs have been allocated among the services benefited.

See independent auditors' report.

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PAUL J. COOPER CENTER FOR HUMAN SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate that value.

- a. Cash and cash equivalents - the carrying amount approximates fair value due to the short maturity of those instruments.
- b. Accounts receivable - are reported net of an allowance for doubtful accounts. The carrying amount approximates fair balance due to the short-term maturity of these instruments.
- c. Accounts payable and accrued expenses - the carrying amount approximates fair value due to the short-term maturity of these instruments.
- d. Long-term debt - the fair value of long-term debt approximates the carrying value as estimated based on current rates offered to the Organization.

H. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

I. INCOME TAXES

Paul J. Cooper Center for Human Services, Inc. is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and comparable New York State law. Contributions to it are tax deductible within the limitations prescribed by the code.

J. RECLASSIFICATIONS

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

NOTE 3. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2010 and 2009 consisted of the following:

	2010	2009
Building and improvements	\$ 2,976,274	\$ 2,921,126
Furniture, fixtures and equipment	128,754	115,294
Auto and truck	112,378	112,378
Property and equipment	<u>3,217,406</u>	<u>3,148,798</u>
Less: accumulated depreciation	<u>(686,933)</u>	<u>(557,371)</u>
Property and equipment (net)	<u>\$ 2,530,473</u>	<u>\$ 2,591,427</u>

See independent auditors' report.

PAUL J. COOPER CENTER FOR HUMAN SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 4. LONG-TERM DEBT

	2010	2009
Ashford Building:		
Mortgage payable to a bank dated November 21, 2006, secured by the building, payable in monthly installments of principle and interest of \$4,794. The mortgage bears interest at a rate of 7.42% and matures in November 2026.	\$ 541,365	\$ 557,619
Mortgage payable to a bank dated July 24, 2007, secured by the building, payable in monthly installments of principle and interest of \$5,661. The mortgage bears interest at a rate of 7.63% and matures in December 2022.	573,856	596,406
Mortgage payable to a bank dated July 24, 2007, secured by the building, payable in monthly installments of principle and interest of \$4,066. The mortgage bears interest at a rate of 7.42% and matures in December 2012.	112,344	151,764
Vernon Building:		
Mortgage payable to a bank dated October 3, 2006, secured by the building, payable in monthly installments of principle and interest of \$4,061. The mortgage bears interest at a rate of 7.5% and matures in October 2026.	454,953	467,390
96th Street Building:		
Construction loan payable to a bank dated June 17, 2010, the loan bears interest rate at the bank's prime rate plus 2% points. The loan is due and payable in full of the last day of the construction period. In addition, the Organization has an option to make monthly amortized payments between the first day of the end of construction period to December 17, 2015.	25,000	-
TOTAL LONG-TERM DEBT	\$ 1,707,518	\$ 1,773,179

Maturities of the mortgages payable at June 30, 2010 are as follows:

<u>June 30,</u>	
2011	\$ 123,955
2012	104,815
2013	95,443
2014	71,929
2015	77,599
Thereafter	1,233,777
	<u>\$ 1,707,518</u>

See independent auditors' report.

PAUL J. COOPER CENTER FOR HUMAN SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 5. DUE TO NEW YORK STATE AGENCIES

The Organization has agreed to a final audit determination with the New York State Office of Mental Health for the years 1999 through 2004. The full amount of the determination was \$1,155,756. The liability is being repaid by recoupments from Medicaid payments. The Organization anticipates that it will pay approximately \$100,000 in the current year.

The Organization has also agreed to a final settlement of audit with New York State Office of the Medicaid Inspector General for the total amount of \$134,824. The liability is being repaid by recoupments from Medicaid payments. The Organization anticipates that it will pay approximately \$50,000 in the current year.

NOTE 6. EMPLOYEE BENEFIT PLANS

The Organization offers a 403 (b) pension plan. Employees become eligible when they attain both age twenty-one and complete one year of service. The Organization matches up to 3% of the eligible employees' salary annually. Pension expense for the years ended June 30, 2010 and 2009 was \$44,562 and \$43,203, respectively.

NOTE 7. OPERATING LEASES

The Organization is obligated under several operating leases for various facilities. These leases expire at various dates through 2016. The leases generally contain renewal options for periods ranging up to 5 years.

Future minimum lease payments under these operating leases as follows:

<u>June 30,</u>	
2011	\$ 521,827
2012	182,043
2013	66,413
2014	68,403
2015	70,456
Thereafter	72,570
	<u>\$ 981,712</u>

See independent auditors' report.

PAUL J. COOPER CENTER FOR HUMAN SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 8. CONCENTRATION OF CREDIT RISK

The Organization maintains all of its cash and cash equivalents in high credit quality financial institutions. Accounts at the institutions are insured by the Federal Depository Insurance Corporation ("FDIC"). The FDIC insured limits for the years ended June 30, 2010 and 2009 was \$250,000. As of June 30, 2010 and 2009, the Organization had no assets that were in excess of FDIC insurance limits.

The Organizations revenues are primarily from the New York State Department of Mental Health. Most patients are primarily from the metropolitan area.

NOTE 9. TEMPORARILY RESTRICTED NET ASSETS

A long-lived asset was donated to the Organization from the Department of Housing and Urban Development and resulted in temporarily restricted net assets at June 30, 2007. It will expire in seven years after its purpose is satisfied.

Temporarily restricted net assets as follows:

<u>June 30,</u> 2010	\$ <u>365,000</u>
-------------------------	-------------------

NOTE 10. SUBSEQUENT EVENTS

The Organization has evaluated events and transactions that occurred through December 1, 2010, which is the date the financial statements were issued, for possible disclosure and recognition in the financial statements.

PAUL J. COOPER CENTER FOR HUMAN SERVICES, INC.
FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

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See independent auditors' report.

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Certified Public Accountants & Business Advisors

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
 Paul J. Cooper Center for Human Services, Inc.

We have audited the accompanying statements of financial position of Paul J. Cooper Center for Human Services, Inc. (a nonprofit organization) as of June 30, 2009 and 2008 and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Paul J. Cooper Center for Human Services, Inc. as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Satty, Levine & Ciacco, CPAs, P.C.
 Jericho, New York
 November 2, 2009

PAUL J. COOPER CENTER FOR HUMAN SERVICES, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2009 AND 2008

	2009	2008
ASSETS:		
Cash	\$ 272,647	\$ 191,326
Accounts receivable	879,799	1,044,439
Prepaid expenses	3,490	-
Property and equipment (net)	2,591,427	2,681,660
Security deposits	34,335	34,482
TOTAL ASSETS	\$ 3,781,698	\$ 3,951,907
LIABILITIES:		
Accounts payable and accrued expenses	\$ 674,489	\$ 618,646
Accrued vacation	249,459	353,893
Accrued salaries and taxes	126,583	123,786
Payroll tax liabilities	-	109,488
Due to OMRDD	134,824	196,053
Due to NYS OMH	758,666	842,526
Mortgage payable	1,773,179	1,842,189
TOTAL LIABILITIES	3,717,200	4,086,581
NET ASSETS:		
Unrestricted net assets (Deficit)	(300,504)	(499,676)
Temporarily restricted net assets	365,000	365,000
TOTAL NET ASSETS (DEFICIT)	64,496	(134,676)
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	\$ 3,781,698	\$ 3,951,907

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See independent auditors' report and notes to the financial statements

PAUL J. COOPER CENTER FOR HUMAN SERVICES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL 2009	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL 2008
REVENUE AND OTHER SUPPORT:						
Net patient and residential fees	\$ 8,388,024	\$ -	\$ 8,388,024	\$ 8,561,748	\$ -	\$ 8,561,748
Grants and contribution income	91,901	-	91,901	98,085	-	98,085
Interest income	602	-	602	2,075	-	2,075
Other revenue	9,435	-	9,435	22,923	-	22,923
TOTAL REVENUE AND OTHER SUPPORT	8,489,962	-	8,489,962	8,684,831	-	8,684,831
EXPENSES:						
PROGRAM SERVICES						
Intermediate care facilities	2,152,481	-	2,152,481	2,172,133	-	2,172,133
Mental health clinic	837,169	-	837,169	880,839	-	880,839
Alcoholism clinic	1,112,063	-	1,112,063	1,179,417	-	1,179,417
Medicaid service coordination	91,761	-	91,761	89,635	-	89,635
Individual residential alternatives	2,928,416	-	2,928,416	2,929,731	-	2,929,731
TOTAL PROGRAM SERVICES	7,121,890	-	7,121,890	7,251,755	-	7,251,755
SUPPORT SERVICES						
Management and general	1,113,360	-	1,113,360	1,105,990	-	1,105,990
Fundraising	55,540	-	55,540	72,736	-	72,736
TOTAL SUPPORT SERVICES	1,168,900	-	1,168,900	1,178,726	-	1,178,726
TOTAL EXPENSES	8,290,790	-	8,290,790	8,430,481	-	8,430,481
CHANGE IN NET ASSETS	199,172	-	199,172	254,350	-	254,350
UNRESTRICTED NET ASSETS (DEFICIT):						
Beginning of year	(499,676)	365,000	(134,676)	(754,026)	365,000	(389,026)
End of year	\$ (300,504)	\$ 365,000	\$ 64,496	\$ (499,676)	\$ 365,000	\$ (134,676)

See independent auditors' report and notes to the financial statements

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PAUL J. COOPER CENTER FOR HUMAN SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2009

EXPENSES:	PROGRAM SERVICES					SUPPORT SERVICES		TOTAL EXPENSES	
	ICF PROGRAMS	MENTAL HEALTH	ALCOHOL CLINICS	MSC PROGRAMS	IRA PROGRAMS	TOTAL PROGRAM SERVICES	MANAGEMENT AND GENERAL		FUNDRAISING
Salaries and wages	\$ 1,250,755	\$ 423,748	\$ 554,907	\$ 69,204	\$ 1,729,683	\$ 4,028,297	\$ 445,174	\$ -	\$ 4,473,471
Payroll taxes and employee benefits	271,454	83,056	100,034	17,277	421,325	893,146	119,187	-	1,012,333
Food	60,317	475	59,299	-	84,487	204,578	903	-	205,481
Maintenance	49,760	11,567	12,323	-	64,028	137,678	35,076	1,444	174,198
Rent and utilities	111,973	76,192	230,075	-	116,371	534,611	239,913	-	774,524
Client travel	59	31,786	59,460	-	171	91,476	140	-	91,616
Staff travel	12,608	441	61	-	16,501	29,611	9,288	-	38,899
Client incidentals	18,337	1,122	1,863	-	38,168	59,490	574	-	60,064
Equipment purchased	-	487	131	-	76	694	3,267	-	3,961
Facility service assessment	141,190	-	-	-	-	141,190	-	-	141,190
Staff development	4,775	-	342	-	2,929	8,046	14,188	-	22,234
Contracted services	90,613	174,450	49,217	199	38,339	352,818	31,530	-	384,348
Supplies	6,871	10,698	11,141	665	16,611	45,986	31,081	-	77,067
Telephone	16,753	9,774	7,566	1,585	26,547	62,225	15,546	-	77,771
Insurance	32,194	9,547	12,831	2,542	49,745	106,839	12,932	-	119,791
Equipment rental/lease	8,669	-	2,175	-	19,020	29,864	5,365	-	35,229
Professional fees	-	-	-	-	-	-	57,481	-	57,481
Day training expense	34,919	-	-	-	-	34,919	-	-	34,919
Other expenses	20,538	3,826	8,022	289	68,340	101,015	24,090	54,096	179,201
Interest	-	-	-	-	140,059	140,059	61,322	-	201,381
Depreciation and amortization	20,696	-	2,616	-	96,016	119,328	6,303	-	125,631
TOTAL EXPENSES	\$ 2,152,481	\$ 837,169	\$ 1,112,063	\$ 91,761	\$ 2,928,416	\$ 7,121,890	\$ 1,113,360	\$ 55,540	\$ 8,290,790

See independent auditors' report and notes to the financial statements

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PAUL J. COOPER CENTER FOR HUMAN SERVICES, INC.
 STATEMENT OF FUNCTIONAL EXPENSES
 FOR THE YEAR ENDED JUNE 30, 2008

	PROGRAM SERVICES					SUPPORT SERVICES		TOTAL EXPENSES	
	ICF PROGRAMS	MENTAL HEALTH	ALCOHOL CLINICS	MSC PROGRAMS	IRA PROGRAMS	TOTAL PROGRAM SERVICES	MANAGEMENT AND GENERAL		FUNDRAISING
EXPENSES:									
Salaries and wages	\$ 1,212,596	\$ 450,136	\$ 612,428	\$ 70,605	\$ 1,735,346	\$ 4,081,111	\$ 465,185	\$ -	\$ 4,546,296
Payroll taxes and employee benefits	247,046	104,128	106,127	14,844	340,397	812,542	111,034	-	923,576
Food	57,183	1,357	57,583	-	90,630	206,753	1,575	-	208,328
Maintenance	50,144	7,169	17,506	-	95,945	170,764	28,920	1,709	201,393
Rent and utilities	115,802	84,719	229,564	-	131,800	561,885	228,957	-	790,842
Real estate taxes	3,920	1,671	1,800	64	5,398	12,853	-	-	12,853
Client travel	67	37,552	56,632	-	37	94,288	-	-	94,288
Staff travel	15,032	728	299	-	19,744	35,803	15,048	-	50,851
Client incidentals	28,096	2,290	1,081	-	41,103	72,570	1,565	-	74,135
Equipment purchased	909	1,208	962	-	2,001	5,080	5,168	-	10,248
Facility service assessment	149,003	-	-	-	-	149,003	-	-	149,003
Staff development	4,933	105	140	2,180	5,475	12,833	16,889	-	29,722
Contracted services	102,872	153,220	46,966	-	35,596	338,654	25,964	-	364,618
Supplies	23,396	6,782	12,449	441	46,164	89,232	40,054	-	129,286
Telephone	17,094	13,261	9,335	1,067	37,608	78,365	19,157	-	97,522
Insurance	36,292	9,767	13,957	-	48,008	108,024	13,956	-	121,980
Equipment rental/lease	21,974	1,884	2,339	-	37,314	63,511	16,412	-	79,923
Professional fees	-	-	-	-	-	-	69,759	-	69,759
Day training expense	33,731	-	-	-	-	33,731	-	-	33,731
Other expenses	30,201	4,862	7,950	434	85,773	129,220	24,740	71,027	224,987
Interest	-	-	-	-	108,495	108,495	13,886	-	122,381
Depreciation and amortization	21,842	-	2,299	-	62,897	87,038	7,721	-	94,759
TOTAL EXPENSES	\$ 2,172,133	\$ 880,839	\$ 1,179,417	\$ 89,635	\$ 2,929,731	\$ 7,251,755	\$ 1,105,990	\$ 72,736	\$ 8,430,481

See independent auditors' report and notes to the financial statements

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PAUL J. COOPER CENTER FOR HUMAN SERVICES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 199,172	\$ 254,350
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	125,631	94,879
(Increase) decrease in:		
Accounts receivable	164,640	23,423
Prepaid expenses	(3,490)	5,628
Security deposits	147	(108)
Escrow	-	1,750
Increase (decrease) in:		
Accounts payable and accrued expenses	55,843	(10,292)
Accrued vacation	(104,434)	(32,273)
Accrued salaries, taxes and interest payable	2,797	(99,130)
Due to OMRDD	(61,229)	(92,877)
Payroll tax liability	(109,488)	-
Due to NYS OMH	(83,860)	(344,486)
TOTAL ADJUSTMENTS	(13,443)	(253,486)
NET CASH FROM OPERATING ACTIVITIES	185,729	864
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(35,398)	(73,702)
NET CASH FROM INVESTING ACTIVITIES	(35,398)	(73,702)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from mortgage payable	-	211,108
Principle payments on mortgage payable	(69,010)	(36,827)
NET CASH FROM INVESTING ACTIVITIES	(69,010)	174,281
CHANGE IN CASH AND CASH EQUIVALENTS	81,321	101,443
CASH AND CASH EQUIVALENTS:		
Beginning of year	191,326	89,883
End of year	<u>\$ 272,647</u>	<u>\$ 191,326</u>
SUPPLEMENTAL DISCLOSURE:		
Cash paid during the year for interest	<u>\$ 140,059</u>	<u>\$ 122,381</u>

Non-cash financing activities of \$0 and \$800,000, which were proceeds from mortgages used to purchase and renovate buildings for Ashford and Vernon for 2009 and 2008 respectively.

See independent auditors' report and notes to the financial statements

PAUL J. COOPER CENTER FOR HUMAN SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 1. ORGANIZATION AND BASIS OF PRESENTATION

A. ORGANIZATION

Paul J. Cooper Center for Human Services, Inc., (the "Organization"), is a not-for-profit organization incorporated under IRS Code 501(c)(3). The Organization's purpose is to develop and operate various programs that provide intermediate care facilities, community residences, individual residential alternatives, Medicaid service coordination, alcoholism clinic, mental health clinic and other programs. Programs operated by the Organization are as follows:

Intermediate Care Facility (ICF) – is licensed by the Office of Mental Retardation and Developmental Disabilities (OMRDD). The facility is providing active programming, room and board, and continuous 24 hours per day supervision.

Mental Health – is licensed by the New York State Office of Mental Health (OMH). The program provides treatment that designed to reduce symptoms, to improve patient functioning and to provide ongoing support.

Alcohol Clinics – is licensed by the New York State Office of Alcoholism and Substance Abuse Services (OASAS). The program provides individualized treatment plans to guide each patient in the recovery process and improve their quality of life.

Medicaid Services Coordination (MSC) – is licensed by the Office of Mental Retardation and Developmental Disabilities (OMRDD). The program assists persons with developmental disabilities and mental retardation in gaining access to necessary services and support appropriate to the needs of the individuals.

Individual Residential Alternatives (IRA) – is licensed by the Office of Mental Retardation and Developmental Disabilities (OMRDD). The program provides staff onsite and available at all times when consumers are presented.

B. BASIS OF PRESENTATION

The accompanying financial statements reflect the accounts and activities of Paul J. Cooper Center for Human Services, Inc. Financial statement presentation follows the recommendations of the financial accounting standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, Paul J. Cooper Center for Human Services, Inc. is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets temporarily restricted net assets and permanently restricted net assets.

See independent auditors' report.

PAUL J. COOPER CENTER FOR HUMAN SERVICES, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2009 AND 2008

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. CASH AND CASH EQUIVALENTS

The organization considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

B. INVESTMENTS

All investments are reflected on the books at market value. Income from temporarily or permanently restricted assets is recorded as unrestricted investment income if the restrictions are met in the same period. Donated securities are recorded at market value at the date of the donation.

C. ACCOUNTS RECEIVABLE

Accounts receivable are stated at the amount the Organization expects to collect from New York State.

D. PROPERTY AND EQUIPMENT

Building and equipment are stated at cost. Costs in excess of \$1,000 and the value of donated property and equipment are capitalized at fair market value. Depreciation is provided on the straight-line method over the estimated useful life of the asset. The estimated useful lives of assets are as follows:

Building and improvements	25-40 years
Leasehold improvements	20-40 years
Machinery and equipment	5-7 years
Furniture and fixtures	5-7 years

E. CONTRIBUTIONS

The Organization accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board in its SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. All restricted contributions where the restrictions are met in the same period as received are reported as unrestricted contributions.

See independent auditors' report.

PAUL J. COOPER CENTER FOR HUMAN SERVICES, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2009 AND 2008

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. REVENUE

The majority of the Organization's total revenue and other support was derived from several governmental agencies within New York State and the City of New York. As of June 30, 2009 and 2008 substantially all the Organization's receivables were derived from the same state and city agencies.

G. FUNCTIONAL EXPENSE ALLOCATION

Costs incurred in providing the various program and support services are summarized on a functional basis in the statement of activities. Accordingly, these costs have been allocated among the services benefited.

H. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate that value.

- a. Cash and cash equivalents - the carrying amount approximates fair value due to the short maturity of those instruments.
- b. Accounts receivable - are reported net of an allowance for doubtful accounts. The carrying amount approximates fair balance due to the short-term maturity of these instruments.
- c. Accounts payable and accrued expenses - the carrying amount approximates fair value due to the short-term maturity of these instruments.
- d. Long-term debt - the fair value of long-term debt approximates the carrying value as estimated based on current rates offered to the Organization.

I. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

J. INCOME TAXES

Paul J. Cooper Center for Human Services, Inc. is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and comparable New York State law. Contributions to it are tax deductible within the limitations prescribed by the code.

K. RECLASSIFICATIONS

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

See independent auditors' report.

PAUL J. COOPER CENTER FOR HUMAN SERVICES, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2009 AND 2008

NOTE 3. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2009 and 2008 consisted of the following:

	2009	2008
Building and improvements	\$ 2,921,126	\$ 2,898,529
Furniture, fixtures and equipment	115,294	474,135
Auto and truck	112,378	112,378
Property and equipment	3,148,798	3,485,042
Less: accumulated depreciation	(557,371)	(803,382)
Property and equipment (net)	<u>\$ 2,591,427</u>	<u>\$ 2,681,660</u>

NOTE 4. DUE TO NEW YORK STATE AGENCIES

The Organization has agreed to a final audit determination with the New York State Office of Mental Health for the years 1999 through 2004. The full amount of the determination was \$1,155,756. The liability is being repaid by recoupments from Medicaid payments. The Organization anticipates that it will pay approximately \$100,000 in the current year.

The Organization has also agreed to a final settlement of audit with New York State Office of the Medicaid Inspector General for the total amount of \$134,824. The liability is being repaid by recoupments from Medicaid payments. The Organization anticipates that it will pay approximately \$70,000 in the current year.

NOTE 5. PAYROLL TAX LIABILITIES

The Organization entered into a settlement with both the Internal Revenue Service and New York State for unpaid payroll taxes for prior years. During 2009 the organization made its final payment for this liability.

See independent auditors' report.

PAUL J. COOPER CENTER FOR HUMAN SERVICES, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2009 AND 2008

NOTE 6. LONG-TERM DEBT

	2009	2008
Ashford Building:		
Mortgage payable to a bank dated November 21, 2006, secured by the building, payable in monthly installments of principle and interest of \$4,794. The mortgage bears interest at a rate of 7.42% and matures in November 2026.	\$ 557,619	\$ 572,705
Mortgage payable to a bank dated July 24, 2007, secured by the building, payable in monthly installments of principle and interest of \$5,661. The mortgage bears interest at a rate of 7.63% and matures in December 2022.	596,406	600,000
Mortgage payable to a bank dated July 24, 2007, secured by the building, payable in monthly installments of principle and interest of \$4,066. The mortgage bears interest at a rate of 7.42% and matures in December 2012.	151,764	188,383
Vernon Building:		
Mortgage payable to a bank dated October 3, 2006, secured by the building, payable in monthly installments of principle and interest of \$4,061. The mortgage bears interest at a rate of 7.5% and matures in October 2026.	467,390	481,101
TOTAL LONG-TERM DEBT	<u>\$ 1,773,179</u>	<u>\$ 1,842,189</u>

Maturities of the mortgages payable at June 30, 2009 are as follows:

<u>June 30,</u>	
2010	\$ 93,332
2011	98,955
2012	104,815
2013	95,443
2014	71,929
Thereafter	1,308,705
	<u>\$ 1,773,179</u>

See independent auditors' report.

**PAUL J. COOPER CENTER FOR HUMAN SERVICES, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2009 AND 2008**

NOTE 7. EMPLOYEE BENEFIT PLANS

The Organization offers a 403 (b) pension plan. Employees become eligible when they attain both age twenty-one and complete one year of service. The Organization matches up to 3% of the eligible employees' salary annually. Pension expense for the years ended June 30, 2009 and 2008 was \$43,203 and \$45,901, respectively.

NOTE 8. OPERATING LEASES

The Organization is obligated under several operating leases for various facilities. These leases expire at various dates through 2016. The leases generally contain renewal options for periods ranging up to 5 years.

Future minimum lease payments under these operating leases as follows:

<u>June 30,</u>	
2010	\$ 516,065
2011	521,827
2012	182,043
2013	66,413
2014	68,403
Thereafter	<u>143,026</u>
	<u>\$ 1,497,778</u>

NOTE 9. CONCENTRATION OF CREDIT RISK

The Organization at times maintains deposits in excess of Federal Deposit Insurance Corporation (FDIC) insurance levels. At June 30, 2009 and 2008 the uninsured amounts were approximately \$0 and \$75,000 respectively.

The Organizations revenues are primarily from the New York State Department of Mental Health. Most patients are primarily from the metropolitan area.

NOTE 10. TEMPORARILY RESTRICTED NET ASSETS

A long-lived asset was donated to the Organization from the Department of Housing and Urban Development and resulted in temporarily restricted net assets at June 30, 2007. It will expire in seven years after its purpose is satisfied.

Temporarily restricted net assets as follows:

<u>June 30,</u>	
2010	\$ <u>365,000</u>

See independent auditors' report.

**PAUL J. COOPER FOR HUMAN SERVICES, INC.
 FINANCIAL STATEMENTS
 JUNE 30, 2008 AND 2007**

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Certified Public Accountants & Business Advisors

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Paul J. Cooper Center for Human Services, Inc.

We have audited the accompanying statements of financial position of Paul J. Cooper Center for Human Services, Inc. (a nonprofit organization) as of June 30, 2008 and 2007, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year summarized comparative information has been derived from Paul J. Cooper Center for Human Services, Inc.'s 2007 financial statements and, in our report dated December 4, 2007, we expressed an unqualified opinion on those financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Paul J. Cooper Center for Human Services, Inc. as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in dark ink, appearing to read 'Satty, Levine & Ciacco, CPAs, P.C.', is written over a horizontal line.

Satty, Levine & Ciacco, CPAs, P.C.
Jericho, New York
December 10, 2008

PAUL J. COOPER CENTER FOR HUMAN SERVICES, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
ASSETS:		
Cash	\$ 191,326	\$ 89,883
Accounts receivable	1,044,439	1,067,862
Prepaid expenses	-	5,628
Property and equipment (net)	2,681,660	2,113,945
Security deposits	34,482	34,374
Escrow	-	1,750
	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 3,951,907</u>	<u>\$ 3,313,442</u>
LIABILITIES:		
Accounts payable and accrued expenses	\$ 618,648	\$ 628,940
Accrued vacation	353,893	386,166
Accrued salaries and taxes	123,786	92,859
Payroll taxes liabilities	109,488	239,545
Due to OMRDD	196,053	340,539
Due to NYS OMH	842,526	935,403
Mortgage payable	1,842,189	1,079,016
	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>4,086,583</u>	<u>3,702,468</u>
NET ASSETS:		
Unrestricted net assets (Deficit)	(499,676)	(754,026)
Temporarily restricted net assets	<u>365,000</u>	<u>365,000</u>
	<u> </u>	<u> </u>
TOTAL NET ASSETS (DEFICIT)	<u>(134,676)</u>	<u>(389,026)</u>
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	<u>\$ 3,951,907</u>	<u>\$ 3,313,442</u>

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See independent auditors' report and notes to the financial statements.

PAUL J. COOPER CENTER FOR HUMAN SERVICES, INC.
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2008 (With summarized totals for 2007)

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL 2008	TOTAL 2007
REVENUE AND OTHER SUPPORT:				
Net patient and residential fees	\$ 8,561,748	\$ -	\$ 8,561,748	\$ 8,245,283
Grants and contribution income	98,085	-	98,085	450,282
Interest income	2,075	-	2,075	8,949
Other revenue	22,923	-	22,923	74,014
TOTAL REVENUE AND OTHER SUPPORT	8,684,831	-	8,684,831	8,778,528
EXPENSES:				
PROGRAM SERVICES				
Intermediate care facilities	2,172,131	-	2,172,131	2,065,438
Mental health clinic	880,838	-	880,838	888,779
Alcoholism clinic	1,179,418	-	1,179,418	1,175,100
Medicaid service coordination	89,634	-	89,634	44,619
Individual residential alternatives	2,929,731	-	2,929,731	2,759,238
TOTAL PROGRAM SERVICES	7,251,752	-	7,251,752	6,933,174
SUPPORT SERVICES				
Management and general	1,105,993	-	1,105,993	1,136,126
Fundraising	72,736	-	72,736	94,631
TOTAL SUPPORT SERVICES	1,178,729	-	1,178,729	1,230,757
TOTAL EXPENSES	8,430,481	-	8,430,481	8,163,931
TOTAL CHANGE IN NET ASSETS	254,350	-	254,350	614,597
UNRESTRICTED NET ASSETS (DEFICIT):				
Beginning of year	(754,026)	365,000	(389,026)	(1,003,623)
End of year	\$ (499,676)	\$ 365,000	\$ (134,676)	\$ (389,026)

See independent auditors' report and notes to the financial statements.

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PAUL J. COOPER CENTER FOR HUMAN SERVICES, INC.
 STATEMENT OF FUNCTIONAL EXPENSES
 FOR THE YEAR ENDED JUNE 30, 2008 (With summarized totals for 2007)

	PROGRAM SERVICES					TOTAL PROGRAM SERVICES
	ICF PROGRAMS	MENTAL HEALTH	ALCOHOL CLINICS	MSC PROGRAMS	IRA PROGRAMS	
EXPENSES:						
Salaries and wages	\$ 1,212,595	\$ 450,135	\$ 612,429	\$ 70,604	\$ 1,735,346	\$ 4,081,109
Payroll taxes and employee benefits	247,045	104,128	106,127	14,844	340,397	812,541
Food	57,183	1,357	57,583	-	90,630	206,753
Maintenance	50,144	7,169	17,506	-	95,945	170,764
Rent and utilities	115,802	84,719	229,564	-	131,800	561,885
Real estate taxes	3,920	1,671	1,800	64	5,398	12,853
Client travel	67	37,552	56,632	-	37	94,288
Staff travel	15,032	728	299	-	19,744	35,803
Client incidentals	28,096	2,290	1,081	-	41,103	72,570
Equipment purchased	909	1,208	962	-	2,001	5,080
Facility service assessment	149,003	-	-	-	-	149,003
Staff development	4,933	105	140	2,180	5,475	12,833
Contracted services	102,872	153,220	46,966	-	35,596	338,654
Supplies	23,396	6,782	12,449	441	46,164	89,232
Telephone	17,094	13,261	9,335	1,067	37,608	78,365
Insurance	36,292	9,767	13,957	-	48,008	108,024
Equipment rental/lease	21,974	1,884	2,339	-	37,314	63,511
Professional fees	-	-	-	-	-	-
Day training expense	33,731	-	-	-	-	33,731
Other expenses	30,201	4,862	7,950	434	85,773	129,220
Interest	-	-	-	-	108,495	108,495
Depreciation and amortization	21,842	-	2,299	-	62,897	87,038
TOTAL EXPENSES	\$ 2,172,131	\$ 880,838	\$ 1,179,418	\$ 89,634	\$ 2,929,731	\$ 7,251,752

See independent auditors' report and notes to the financial statements.

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PAUL J. COOPER CENTER FOR HUMAN SERVICES, INC.
 STATEMENT OF FUNCTIONAL EXPENSES (continued)
 FOR THE YEAR ENDED JUNE 30, 2008 (With summarized totals for 2007)

	SUPPORT SERVICES			TOTAL	TOTAL
	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL	PROGRAM AND SUPPORT SERVICES 2008	PROGRAM AND SUPPORT SERVICES 2007
EXPENSES:					
Salaries and wages	\$ 465,187	\$ -	\$ 465,187	\$ 4,546,296	\$ 4,276,556
Payroll taxes and employee benefits	111,035	-	111,035	923,576	1,108,776
Food	1,575	-	1,575	208,328	196,557
Maintenance	28,920	1,709	30,629	201,393	159,193
Rent and utilities	228,957	-	228,957	790,842	834,610
Real estate taxes	-	-	-	12,853	-
Client travel	-	-	-	94,288	99,123
Staff travel	15,048	-	15,048	50,851	36,791
Client incidentals	1,565	-	1,565	74,135	60,447
Equipment purchased	5,168	-	5,168	10,248	784
Facility service assessment	-	-	-	149,003	143,100
Staff development	16,889	-	16,889	29,722	27,156
Contracted services	25,964	-	25,964	364,618	425,610
Supplies	40,054	-	40,054	129,286	93,205
Telephone	19,157	-	19,157	97,522	87,363
Insurance	13,956	-	13,956	121,980	117,538
Equipment rental/lease	16,412	-	16,412	79,923	68,742
Professional fees	69,759	-	69,759	69,759	63,502
Day training expense	-	-	-	33,731	32,759
Other expenses	24,740	71,027	95,767	224,867	219,171
Interest expense	13,886	-	13,886	122,381	51,073
Depreciation and amortization	7,721	-	7,721	94,879	61,875
TOTAL EXPENSES	\$ 1,105,993	\$ 72,736	\$ 1,178,729	\$ 8,430,481	\$ 8,163,931

See independent auditors' report and notes to the financial statements.

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PAUL J. COOPER CENTER FOR HUMAN SERVICES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2008 and 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 254,350	\$ 614,597
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	94,879	61,875
Donated property	-	(365,000)
(Increase) decrease in:		
Accounts receivable	23,423	(140,892)
Prepaid expenses	5,628	(5,628)
Security deposits	(108)	1,369
Escrow	1,750	750
Increase (decrease) in:		
Accounts payable and accrued expenses	(10,292)	221,443
Accrued vacation	(32,273)	(16,432)
Accrued salaries, taxes and interest payable	(99,130)	(337,301)
Due to OMRDD	(92,877)	(340,596)
Due to NYS OMH	(144,486)	(100,412)
TOTAL ADJUSTMENTS	(253,486)	(1,020,824)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	864	(406,227)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(73,702)	(29,829)
Disposal of property	-	(95,825)
NET CASH USED IN INVESTING ACTIVITIES	(73,702)	(125,654)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from mortgage payable	211,108	-
Principle repayments of mortgage payable	(36,827)	(14,984)
NET CASH PROVIDED BY INVESTING ACTIVITIES	174,281	(14,984)
CHANGE IN CASH AND CASH EQUIVALENTS	101,443	(546,865)
CASH AND CASH EQUIVALENTS:		
Beginning of year	89,883	636,748
End of year	\$ 191,326	\$ 89,883
SUPPLEMENTAL DISCLOSURE:		
Cash paid during the year for interest	\$ 122,381	\$ 51,073

Non-cash financing activities of \$800,000 and \$1,094,000, which were proceeds from mortgages used to purchase and renovate buildings for Ashford and Vernon for 2008 and 2007 respectively.

See independent auditors' report and notes to the financial statements.

PAUL J. COOPER CENTER FOR HUMAN SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

NOTE 1. ORGANIZATION AND BASIS OF PRESENTATION

A. ORGANIZATION

Paul J. Cooper Center for Human Services, Inc., (the "Organization"), is a not-for-profit organization incorporated under IRS Code 501(c)(3). The Organization's purpose is to develop and operate various programs that provide intermediate care facilities, community residences, individual residential alternatives, Medicaid service coordination, alcoholism clinic, mental health clinic and other programs. Programs operated by the Organization are as follows:

Intermediate Care Facility (ICF) – is licensed by the Office of Mental Retardation and Developmental Disabilities (OMRDD). The facility is providing active programming, room and board, and continuous 24 hours per day supervision.

Mental Health – is licensed by the New York State Office of Mental Health (OMH). The program provides treatment that designed to reduce symptoms, to improve patient functioning and to provide ongoing support.

Alcohol Clinics – is licensed by the New York State Office of Alcoholism and Substance Abuse Services (OASAS). The program provides individualized treatment plans to guide each patient in the recovery process and improve their quality of life.

Medicaid Services Coordination (MSC) – is licensed by the Office of Mental Retardation and Developmental Disabilities (OMRDD). The program assists persons with developmental disabilities and mental retardation in gaining access to necessary services and support appropriate to the needs of the individuals.

Individual Residential Alternatives (IRA) – is licensed by the Office of Mental Retardation and Developmental Disabilities (OMRDD). The program provides staff onsite and available at all times when consumers are presented.

B. BASIS OF PRESENTATION

The accompanying financial statements reflect the accounts and activities of Paul J. Cooper Center for Human Services, Inc. Financial statement presentation follows the recommendations of the financial accounting standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, Paul J. Cooper Center for Human Services, Inc. is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets temporarily restricted net assets and permanently restricted net assets.

See independent auditors' report.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. CASH AND CASH EQUIVALENTS

The organization considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

B. INVESTMENTS

All investments are reflected on the books at market value. Income from temporarily or permanently restricted assets is recorded as unrestricted investment income if the restrictions are met in the same period. Donated securities are recorded at market value at the date of the donation.

C. ACCOUNTS RECEIVABLE

Accounts receivable are stated at the amount the Organization expects to collect from New York State.

D. PROPERTY AND EQUIPMENT

Building and equipment are stated at cost. Costs in excess of \$1,000 and the value of donated property and equipment are capitalized at fair market value. Depreciation is provided on the straight-line method over the estimated useful life of the asset. The estimated useful lives of assets are as follows:

Building and improvements	25-40 years
Leasehold improvements	20-40 years
Machinery and equipment	5-7 years
Furniture and fixtures	5-7 years

E. CONTRIBUTIONS

The Organization accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board in its SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. All restricted contributions where the restrictions are met in the same period as received are reported as unrestricted contributions.

See independent auditors' report.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. REVENUE

The majority of the Organization's total revenue and other support was derived from several governmental agencies within New York State and the City of New York. As of June 30, 2008 and 2007 substantially all the Organization's receivables were derived from the same state and city agencies.

G. FUNCTIONAL EXPENSE ALLOCATION

Costs incurred in providing the various program and support services are summarized on a functional basis in the statement of activities. Accordingly, these costs have been allocated among the services benefited.

H. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate that value.

- Cash and cash equivalents - the carrying amount approximates fair value due to the short maturity of those instruments.
- Accounts receivable - are reported net of an allowance for doubtful accounts. The carrying amount approximates fair balance due to the short-term maturity of these instruments.
- Accounts payable and accrued expenses - the carrying amount approximates fair value due to the short-term maturity of these instruments.
- Long-term debt - the fair value of long-term debt approximates the carrying value as estimated based on current rates offered to the Organization.

I. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

J. INCOME TAXES

Paul J. Cooper Center for Human Services, Inc. is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and comparable New York State law. Contributions to it are tax deductible within the limitations prescribed by the code.

K. RECLASSIFICATIONS

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

See independent auditors' report.

PAUL J. COOPER CENTER FOR HUMAN SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

NOTE 3. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2008 and 2007 consisted of the following:

	<u>2008</u>	<u>2007</u>
Building and improvements	\$ 2,898,529	\$ 2,281,486
Furniture, fixtures and equipment	474,135	436,774
Auto and truck	<u>112,378</u>	<u>104,187</u>
Property and equipment	3,485,042	2,822,447
Less: Accumulated depreciation	<u>(803,382)</u>	<u>(708,502)</u>
Property and equipment (net)	<u>\$ 2,681,660</u>	<u>\$ 2,113,945</u>

The depreciation expense for the year ended June 30, 2008 and 2007 was \$94,879 and \$61,875, respectively.

NOTE 4. DUE TO NEW YORK STATE DEPARTMENT OF MENTAL HEALTH

The Organization has agreed to a final audit determination with the New York State Office of Mental Health for the years 1999 through 2004. The full amount of the determination was \$1,155,756. The liability is being repaid by recoupments from Medicaid payments. The Organization anticipates that it will pay at least \$110,000 in the current year.

The Organization has also agreed to a final settlement of audit with New York State Office of the Medicaid Inspector General for the total amount of \$340,538. The liability is being repaid by recoupments from Medicaid payments. The Organization anticipates that it will pay at least \$50,000 in the current year.

NOTE 5. PAYROLL TAX LIABILITIES

The Organization currently entered into a settlement with both the Internal Revenue Service and New York State for unpaid payroll taxes. The liability includes any penalties or interest. Currently, the Organization is making monthly payments of \$9,953 to pay off these liabilities.

See independent auditors' report.

PAUL J. COOPER CENTER FOR HUMAN SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

NOTE 6. LONG-TERM DEBT

	<u>2008</u>	<u>2007</u>
Ashford Building:		
Mortgage payable to a bank dated November 21, 2006, secured by the building, payable in monthly installments of principle and interest of \$4,794. The mortgage bears interest at a rate of 7.42% and matures in November 2026.	\$ 572,705	\$ 586,248
Mortgage payable to a bank dated July 24, 2007, secured by the building, payable in monthly installments of principle and interest of \$5,661. The mortgage bears interest at a rate of 7.63% and matures in December 2022.	600,000	-
Mortgage payable to a bank dated July 24, 2007, secured by the building, payable in monthly installments of principle and interest of \$4,066. The mortgage bears interest at a rate of 7.42% and matures in December 2012.	188,383	-
Vernon Building:		
Mortgage payable to a bank dated October 3, 2006, secured by the building, payable in monthly installments of principle and interest of \$4,061. The mortgage bears interest at a rate of 7.5% and matures in October 2026.	<u>481,101</u>	<u>492,768</u>
TOTAL LONG-TERM DEBT	<u>\$ 1,842,189</u>	<u>\$ 1,079,016</u>

Maturities of the mortgages payable at June 30, 2008 are as follows:

<u>June 30,</u>	
2009	\$ 75,058
2010	93,332
2011	98,955
2012	104,815
2013	95,443
Thereafter	<u>1,374,586</u>
	<u>\$ 1,842,189</u>

See independent auditors' report.

PAUL J. COOPER CENTER FOR HUMAN SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

NOTE 7. EMPLOYEE BENEFIT PLANS

The Organization offers a 403 (b) pension plan. Employees become eligible when they attain both age twenty-one and complete one year of service. The Organization matches up to 3% of the eligible employees' salary annually. Pension expense for the years ended June 30, 2008 and 2007 was \$45,901 and \$40,199, respectively.

NOTE 8. OPERATING LEASES

The Organization is obligated under several operating leases for its various facilities. These leases expire at various dates through 2016. The leases generally contain renewal options for periods ranging up to 5 years.

Future minimum lease payments under these operating leases as follows:

<u>June 30,</u>	
2009	\$ 497,595
2010	516,065
2011	62,600
2012	64,478
2013	66,413
Thereafter	211,430
	<u>\$ 1,418,581</u>

NOTE 9. CONCENTRATION OF CREDIT RISK

The Organization at times maintains deposits in excess of Federal Deposit Insurance Corporation (FDIC) insurance levels. At June 30, 2008 and 2007 the uninsured amounts were approximately \$75,000 and \$105,000 respectively.

The Organizations revenues are primarily from the New York State Department of Mental Health. Most patients are primarily from the metropolitan area.

NOTE 10. TEMPORARILY RESTRICTED NET ASSETS

A long-lived asset was donated to the Organization from the Department of Housing and Urban Development and resulted in temporarily restricted net assets at June 30, 2007. It will expire in seven years after its purpose is satisfied.

Temporarily restricted net assets as follows:

<u>June 30,</u>	
2008	<u>\$ 365,000</u>

See independent auditors' report.

PAUL J. COOPER CENTER FOR HUMAN SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

NOTE 11. PRIOR YEAR SUMMARIZED INFORMATION

The statement of functional expenses included certain prior years summarized comparative information in totals. Accordingly, such information should be read in conjunction with its prior years financial statements.

See independent auditors' report.

APPENDIX B-III

WILDWOOD PROGRAMS, INC.

AUDITED FINANCIAL STATEMENTS

FISCAL YEARS 2010, 2009 AND 2008

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Wildwood Programs, Inc.

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**Financial Statements
Year Ended June 30, 2010**



BRYANS & GRAMUGLIA
CPAs, LLC



BRYANS & GRAMUGLIA
CPAs, LLC

Independent Auditors' Report

Board of Directors
Wildwood Programs, Inc.

We have audited the accompanying statements of financial position of Wildwood Programs, Inc. (the Agency) as of June 30, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wildwood Programs, Inc. as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on page 20 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bryans & Gramuglia CPAs, LLC
Albany, New York
September 23, 2010

PINE WEST PLAZA, BUILDING I
WASHINGTON AVENUE EXTENSION • ALBANY, NEW YORK 12205
518-452-8055 • FAX 518-452-9055

Wildwood Programs, Inc.
Statements of Financial Position
June 30, 2010 and 2009

ASSETS		
	2010	2009 Restated
Current Assets		
Cash and cash equivalents	\$ 2,899,318	\$ 3,376,616
Investments	464,912	465,723
Accounts receivable	4,351,787	3,010,051
Due from The Wildwood Foundation	38,469	43,936
Prepaid expense	158,635	165,453
Total Current Assets	<u>7,913,121</u>	<u>7,061,779</u>
Property, Plant and Equipment		
Land and improvements	2,577,237	2,234,751
Building and improvements	20,166,731	20,045,665
Furniture, fixtures and equipment	3,107,303	3,065,710
Total	<u>25,851,271</u>	<u>25,346,126</u>
Less accumulated depreciation	10,707,838	9,589,587
Net Property, Plant and Equipment	<u>15,143,433</u>	<u>15,756,539</u>
Other Assets		
Debt service reserves and restricted deposits	772,930	772,413
Escrow	2,521	17,657
Security deposits	58,959	60,347
Deferred financing costs, net of accumulated amortization of \$429,484 and \$398,413, respectively	819,383	839,021
Interest in net assets of related party	4,590,363	4,853,016
Total Other Assets	<u>6,244,156</u>	<u>6,542,454</u>
TOTAL ASSETS	<u>\$ 29,300,710</u>	<u>\$ 29,360,772</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 201,529	\$ 134,425
Lines of credit	351,972	602,701
Accrued expenses and payroll withholdings	3,023,769	2,686,160
Deferred revenue	274,029	1,013,565
Due to funding sources	498,650	456,697
Current installments of long-term debt	1,220,678	1,206,805
Total Current Liabilities	<u>5,570,627</u>	<u>6,100,353</u>
Long-Term Liabilities		
Long-term debt, net of current installments	11,103,618	11,730,795
Fair value of swap agreement	1,091,427	893,898
Retirement health benefit obligation	302,400	279,300
Total Long-Term Liabilities	<u>12,497,445</u>	<u>12,903,993</u>
Total Liabilities	<u>18,068,072</u>	<u>19,004,346</u>
Net Assets		
Unrestricted	6,460,517	5,335,197
Temporarily restricted	3,751,843	4,104,096
Permanently restricted	1,020,278	917,133
Total Net Assets	<u>11,232,638</u>	<u>10,356,426</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 29,300,710</u>	<u>\$ 29,360,772</u>

See accompanying notes to financial statements.

Wildwood Programs, Inc.
Statement of Activities
For the Year Ended June 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Program Support and Revenue				
Government agencies	\$ 28,882,840	-	-	\$ 28,882,840
Program fees from clients	1,894,357	-	-	1,894,357
Restricted operating grants	424,681	-	-	424,681
Total Program Support and Revenue	<u>31,201,878</u>	<u>-</u>	<u>-</u>	<u>31,201,878</u>
Nonprogram Support and Revenue				
Contributions	823,165	-	-	823,165
Investment income	63,597	13,545	-	77,142
Consulting fees and conferences	19,273	-	-	19,273
Other income	90,464	-	-	90,464
Total Nonprogram Support and Revenue	<u>996,499</u>	<u>13,545</u>	<u>-</u>	<u>1,010,044</u>
Total Revenue	<u>32,198,377</u>	<u>13,545</u>	<u>-</u>	<u>32,211,922</u>
Expenses and Losses				
Wildwood Programs	28,812,040	-	-	28,812,040
Management and general	2,040,387	-	-	2,040,387
Total Expenses and Losses	<u>30,852,427</u>	<u>-</u>	<u>-</u>	<u>30,852,427</u>
Change in Net Assets Before Change in Interest of Net Assets of Related Party	1,345,950	13,545	-	1,359,495
Change in Interest in Net Assets of Related Party	-	(365,798)	103,145	(262,653)
Change in Net Assets Before Change in Fair Value of Swap Contract and Before Change in Retirement Health Benefit Obligation	1,345,950	(352,253)	103,145	1,096,842
Change in Fair Value of Swap Contract	(197,530)	-	-	(197,530)
Change in Retirement Health Benefit Obligation	(23,100)	-	-	(23,100)
Change in Net Assets	1,125,320	(352,253)	103,145	876,212
Net Assets, Beginning of Year	5,335,197	4,104,096	917,133	10,356,426
Net Assets, End of Year	<u>\$ 6,460,517</u>	<u>\$ 3,751,843</u>	<u>\$ 1,020,278</u>	<u>\$ 11,232,638</u>

See accompanying notes to financial statements.

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Wildwood Programs, Inc.
Statement of Activities
For the Years Ended June 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Restated</u>
Program Support and Revenue				
Government agencies	\$ 26,327,256	\$ -	\$ -	\$ 26,327,256
Program fees from clients	1,806,289	-	-	1,806,289
Restricted operating grants	631,876	-	-	631,876
Total Program Support and Revenue	<u>28,765,421</u>	<u>-</u>	<u>-</u>	<u>28,765,421</u>
Nonprogram Support and Revenue				
Contributions	1,394,888	-	-	1,394,888
Investment income	5,240	-	-	5,240
Consulting fees and conferences	3,216	-	-	3,216
Other income	75,441	-	-	75,441
Total Nonprogram Support and Revenue	<u>1,478,785</u>	<u>-</u>	<u>-</u>	<u>1,478,785</u>
Total Revenue	<u>30,244,206</u>	<u>-</u>	<u>-</u>	<u>30,244,206</u>
Expenses and Losses				
Wildwood Programs	27,443,914	-	-	27,443,914
Management and general	1,966,701	-	-	1,966,701
Total Expenses and Losses	<u>29,410,615</u>	<u>-</u>	<u>-</u>	<u>29,410,615</u>
Change in Net Assets Before Change in Interest of Net Assets of Related Party	833,591	-	-	833,591
Change in Interest in Net Assets of Related Party	-	(1,018,850)	-	(1,018,850)
Change in Net Assets Before Change in Fair Value of Swap Contract and Before Change in Retirement Health Benefit Obligation	833,591	(1,018,850)	-	(185,259)
Change in Fair Value of Swap Contract	(343,431)	-	-	(343,431)
Change in Retirement Health Benefit Obligation	207,673	-	-	207,673
Change in Net Assets	697,833	(1,018,850)	-	(321,017)
Net Assets, Beginning of Year as Previously Reported	4,805,577	5,196,331	675,535	10,677,443
Prior Period Adjustment	(168,213)	(73,385)	241,598	-
Net Assets, Beginning of Year as Restated	4,637,364	5,122,946	917,133	10,677,443
Net Assets, End of Year	<u>\$ 5,335,197</u>	<u>\$ 4,104,096</u>	<u>\$ 917,133</u>	<u>\$ 10,356,426</u>

See accompanying notes to financial statements.

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Wildwood Programs, Inc.
Notes to Financial Statements
June 30, 2010 and 2009

Wildwood Programs, Inc.
Statements of Cash Flows
For the Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009 Restated</u>
Cash Flows From Operating Activities		
Change in Net Assets	876,212	\$ (321,017)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	1,268,408	1,280,067
Bad debts	30,814	48,923
Realized/unrealized (gain) loss on investments	(54,171)	22,580
Change in fair value of swap contract	197,529	343,431
Change in interest in net assets of related party	262,653	1,018,850
Change in retirement health benefit obligation	23,100	(207,673)
(Increase)/decrease in assets		
Accounts receivable	(1,372,550)	173,821
Prepaid expense	6,818	49,085
Security deposits	1,388	(26,525)
Increase/(decrease) in liabilities		
Accounts payable	67,104	(149,819)
Accrued expenses and payroll withholdings	337,609	995,558
Deferred revenue	(739,536)	290,503
Due to funding sources	41,953	456,697
Net Cash Provided by Operating Activities	<u>947,331</u>	<u>3,974,481</u>
Cash Flows From Investing Activities		
Net proceeds (purchases) of investments	54,982	(3,483)
Purchases of property, plant and equipment	(598,793)	(1,150,147)
Increase in debt service reserve	(517)	(177,351)
Net change in due from/to The Wildwood Foundation	5,467	(94,235)
Net Cash Used by Investing Activities	<u>(538,861)</u>	<u>(1,425,216)</u>
Cash Flows From Financing Activities		
Net change in deferred financing costs	(36,871)	(5,246)
Net advances (repayment) on lines of credit	(250,729)	254,621
Proceeds from long-term debt	375,000	-
Repayment of long-term debt	(988,304)	(2,469,807)
Change in escrow	15,136	(7,565)
Net Cash Used by Financing Activities	<u>(885,768)</u>	<u>(2,227,997)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(477,298)	321,268
Cash and Cash Equivalents, Beginning of Year	<u>3,376,616</u>	<u>3,055,348</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,899,318</u>	<u>\$ 3,376,616</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	<u>\$ 674,050</u>	<u>\$ 760,056</u>
Noncash Investing Transactions		
Net realized/unrealized gain (loss) on investments	<u>\$ 54,171</u>	<u>\$ (22,580)</u>

See accompanying notes to financial statements.

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1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Wildwood Programs, Inc. (the Agency) is a private nonprofit organization that provides education, training and other services for persons with learning or other developmental disabilities in New York State. Revenues are derived from Medicaid, the New York State Office for People With Developmental Disabilities (OPWDD) and contracts with school districts at rates promulgated by the New York State Education Department (SED), contract sales and participant fees. The majority of the revenues and receivables are from Medicaid and the aforementioned funding sources. The Agency extends credit to school districts and other governmental entities within New York State for services provided.

Revenue Recognition

Revenue from Medicaid, OPWDD and SED is recognized when services are rendered at approved rates. These rates are primarily cost based as determined by allowable expenditures in rate-setting periods. Costs are subject to audit by third party payors and changes, if any, are recognized in the year known. Client fees represent the participants' personal contribution towards the cost of goods and services provided by the Agency. These charges are regulated by federal and state law. Sales are recognized as goods are shipped or as services are performed.

Contributions

Contributions are recognized when the donor makes a promise to give to the Agency that is, in substance, unconditional. Contributions without donor-imposed restrictions are reported as unrestricted support. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Financial Statement Presentation

The net assets of the Agency are reported in three classes of net assets as follows:

Unrestricted Net Assets – Include amounts that have no external restrictions on their use or purpose. The Board of Directors can authorize use of those funds as it desires to carry on the purpose of the Agency according to its by-laws.

Temporarily Restricted Net Assets – Include the portion of the interest in the net assets of its related party that is other than permanently restricted on the related party's financial statements and represents resources that are either temporarily restricted by the donor or are not available for immediate use by the Agency until they are transferred by the related party.

Permanently Restricted Net Assets – Include the portion of the interest in the net assets of its related party that are permanently restricted on the related party's financial statements and represent donor stipulations to maintain donated amounts in perpetuity.

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Wildwood Programs, Inc.
Notes to Financial Statements
June 30, 2010 and 2009

Wildwood Programs, Inc.
Notes to Financial Statements
June 30, 2010 and 2009

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Agency considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Wildwood uses the direct write-off method of accounting for bad debts. Bad debt expense was \$30,814 and \$48,923 for the years ended June 30, 2010 and 2009, respectively.

Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at acquisition cost or at their estimated fair values at date of donation less accumulated depreciation. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations on a straight-line basis over the following estimated useful lives:

	<u>Years</u>
Land improvements	2-25
Building and improvements	5-25
Furniture, fixtures and equipment	5-10

Additions and betterments are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently. When property, plant and equipment are sold or otherwise disposed of, the asset account and the related accumulated depreciation account are relieved and any gain or loss is included in operations.

Deferred Financing Costs

Deferred financing costs consist of bond closing costs incurred on the Agency's various bonded mortgages. These costs are being amortized on a straight-line basis over the terms of the obligations. Amortization expense was \$56,509 and \$58,463 for the years ended June 30, 2010 and 2009, respectively. Amortization expense is expected to be approximately \$57,000 in each of the next five years.

Deferred Revenue

Deferred revenue represents funds received for which the Agency has not fulfilled their obligation to recognize them as revenue. Services will be provided in future periods and any remaining amounts will be recouped by funding sources.

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair Value of Debt Instruments

The carrying amount of debt instruments on the financial statements approximates fair value based on current rates at which the Agency could borrow funds with similar remaining maturities.

Allocation of Expenses

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services using specific allocation methods. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Agency.

Risks and Uncertainties

The Agency invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and, that such changes could materially affect the amounts reported in the statement of financial position.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

2. INVESTMENTS

Investments consist of marketable equity and debt securities carried at fair value based on readily determinable quoted market prices and consist of the following at June 30, 2010 and 2009:

	<u>2010</u>		<u>2009</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Government Securities	\$ 339,777	\$ 358,800	\$ 306,617	\$ 344,595
Mutual Funds	14,248	14,248	28,486	28,486
Equities	<u>114,484</u>	<u>91,864</u>	<u>107,415</u>	<u>92,642</u>
Total Investments	<u>\$ 468,509</u>	<u>\$ 464,912</u>	<u>\$ 442,518</u>	<u>\$ 465,723</u>

Wildwood Programs, Inc.
Notes to Financial Statements
June 30, 2010 and 2009

Wildwood Programs, Inc.
Notes to Financial Statements
June 30, 2010 and 2009

2. INVESTMENTS

The following schedule summarizes the investment income in the statement of activities for the years ended June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Interest and dividend income	\$ 22,971	\$ 27,820
Net realized and unrealized gain (loss) on investments	54,171	(22,580)
Total Investment Income	<u>\$ 77,142</u>	<u>\$ 5,240</u>

3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, consists of the following as of June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Land	\$ 960,600	\$ 960,600
Land improvements	1,616,637	1,274,151
Building	10,452,783	10,415,682
Building improvements	9,713,948	9,629,983
Furniture, fixtures and equipment	<u>3,107,303</u>	<u>3,065,710</u>
Total	25,851,271	25,346,126
Less: Accumulated depreciation	<u>10,707,838</u>	<u>9,589,587</u>
Net, Property, Plant and Equipment	<u>\$ 15,143,433</u>	<u>\$ 15,756,539</u>

Depreciation expense was \$1,211,899 and \$1,221,604 for the years ended June 30, 2010 and 2009, respectively.

4. DEBT SERVICE RESERVES AND RESTRICTED DEPOSITS

The debt service reserve represents deposits held by the Trustees of the Dormitory Authority (DA) and Albany County Industrial Development Agency (AIDA). These deposits will be used to satisfy the last payments required on mortgages held by the DA and the AIDA or can be used prior to that time to pay amounts that are in default. The reserve fund earns interest which is used to reduce the payment obligations under the mortgages. Total debt service reserves were \$731,983 and \$700,714 at June 30, 2010 and 2009, respectively.

Restricted deposits represent amounts held in trust by a third-party administrator related to the Agency's pension plan. These amounts are to be used to pay for employer contributions or expenses of the plan. The restricted deposits were \$40,947 and \$71,699 at June 30, 2010 and 2009, respectively.

5. LINES OF CREDIT

The Agency has the following lines of credit as of June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
\$500,000 unsecured line of credit with Key Bank to be drawn upon as needed for real estate, the interest rate is established at Prime plus 1%, expiring December 31, 2010. The line is guaranteed by The Wildwood Foundation.	\$ 96,088	\$ 346,817
\$500,000 unsecured line of credit with Citizens Bank, N.A. to be drawn upon as needed for real estate, the interest rate is established at LIBOR Advantage plus 2.5%, expiring January 30, 2011. The line is guaranteed by The Wildwood Foundation.	255,884	255,884
\$500,000 unsecured line of credit with Key Bank to be drawn upon as needed, the interest rate is established at Prime plus 1%, expiring December 31, 2010. The line is guaranteed by The Wildwood Foundation.	-	-
\$750,000 unsecured line of credit with Citizens Bank, N.A. to be drawn upon as needed, the interest rate is established at LIBOR Advantage plus 2.5%, expiring January 30, 2011. The line is guaranteed by The Wildwood Foundation.	-	-
Total Lines of Credit	<u>\$ 351,972</u>	<u>\$ 602,701</u>

6. LEASES

The Agency's minimum future rental payments under non-cancelable operating leases having remaining terms in excess of one year as of June 30, 2010 for each of the next five years and in the aggregate are as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2011	\$ 550,935
2012	567,464
2013	567,247
2014	558,193
2015	564,678
Thereafter	<u>2,570,278</u>
Total	<u>\$ 5,378,795</u>

**Wildwood Programs, Inc.
Notes to Financial Statements
June 30, 2010 and 2009**

**Wildwood Programs, Inc.
Notes to Financial Statements
June 30, 2010 and 2009**

6. LEASES

Rental expense included in the statements of activities was \$773,326 and \$687,844 for the years ended June 30, 2010 and 2009, respectively.

7. LONG-TERM DEBT

The Agency's long-term debt consists of the following as of June 30,:

	<u>2010</u>	<u>2009</u>
2003 Insured Revenue Bonds, issued through the Dormitory Authority of the State of New York, under its New York State Rehabilitation Associated Pooled Loan Program No. 2, consisting of two issues, Series 2003A (non-taxable) and 2003B (federally taxable). Several not-for-profit corporations received varying portions of the bond issue proceeds. Each corporation's liability is limited to its allocable portion of the unpaid principal amount of the outstanding bonds. The bonds are secured by the pledge of revenues, subject to prior pledges and the reserve funds established under the bond. The bond is also secured by two financial guaranty insurance policies. Bonds are payable in various increments through July 1, 2019. Interest rates vary from 3.00% to 5.25%, depending on the maturity date of the particular bond. Payments by the participating corporations are due monthly. The loan agreements also contain various covenants, including a debt service coverage ratio.	\$ 559,219	\$ 640,000
2006 Insured Revenue Bonds with the Albany County Industrial Development Agency, issued through the Bank of New York, under Special Needs Facility Pooled Program, consisting of two issues, Series 2006K-1 (non-taxable) and Series 2005K-2 (federally taxable). The bonds are secured by the mortgaged property located in Colonie, New York; a security interest in certain fixtures, furnishings and equipment. The bond is also secured by financial guaranty insurance policies. Bonds are payable in various increments through July 1, 2026. Interest rates range from 4.8%-5%. Payments are due semi-annually on January 1 and July 1.	3,235,000	3,365,000

7. LONG-TERM DEBT

	<u>2010</u>	<u>2009</u>
Vehicle and equipment loans payable to various financial institutions at interest rates ranging from 0.9% to 7.375%, secured by vehicles and equipment. Monthly payments range from \$319 to \$702 and are applied first to interest and then to principal. The loans have maturity dates through June 2012.	489,719	626,961
2007 Insured Revenue Bonds with the Guilderland Industrial Development Agency, issued through Bank of New York, under the Multi-Mode Variable Rate Civic Facility Program, consist of four issues. The bonds are secured by the land and building located in Guilderland, New York; a security interest in certain fixtures, furnishings and equipment. The bond is secured by a Key Bank letter of credit. Bonds are payable in various increments through July 1, 2032. Interest rates in effect during the year ended June 30, 2010 ranged between .42% - 2.95%. Payments are due annually on July 1. These rates are fixed with an interest rate swap contract with Key Bank (See Note 8).	6,980,000	7,580,000
2010 Insured Revenue Bonds, issued through the Dormitory Authority of the State of New York, under its Inter Agency Council Pooled Loan Program No. 1, consisting of two issues, Series 2010A (non-taxable) and 2010B (federally taxable). Several not-for-profit corporations received varying portions of the bond issue proceeds. Each corporation's liability is limited to its allocable portion of the unpaid principal amount of the outstanding bonds. The bonds are secured by the pledge of revenues, subject to prior pledges and the reserve funds established under the bond. The bond is also secured by two financial guaranty insurance policies. Bonds are payable in various increments through July 1, 2025. Interest rates vary from 1.5% to 4.25%, depending on the maturity date of the particular bond. Payments by the participating corporations are due monthly. The loan agreements also contain various covenants, including a debt service coverage ratio.	375,000	-

Wildwood Programs, Inc.
Notes to Financial Statements
June 30, 2010 and 2009

Wildwood Programs, Inc.
Notes to Financial Statements
June 30, 2010 and 2009

7. LONG-TERM DEBT

Community Preservation Corporation Mortgage, fixed interest rate of 6.05%, monthly payments of \$5,841 through October 2019, secured by buildings.

	685,358	725,639
Total	12,324,296	12,937,600
Less current installments	1,220,678	1,206,805
Long-term Debt, Net of Current Installments	\$ 11,103,618	\$ 11,730,795

Long-term debt is payable in each of the next five years as follows:

Year Ended June 30,	Amount
2011	\$ 1,220,678
2012	1,108,326
2013	818,161
2014	755,661
2015	759,658

Interest expense was \$674,050 and \$760,056 for the years ended June 30, 2010 and 2009, respectively.

The Agency has agreed to a number of covenants including a fixed charge coverage ratio of 1:1. At June 30, 2010 and 2009, the Agency met these debt covenant requirements.

8. INTEREST RATE SWAP AGREEMENT

The Agency entered into an interest rate swap agreement (the swap) in order to reduce the impact of changes in interest rates on its Variable Rate Demand Civic Facility Revenue Bonds, issued by the Guilderland Industrial Development Agency. The swap qualifies as a hedge under generally accepted accounting principles. The Agency has assumed no ineffectiveness in the Swap as, among other things, the initial amount of the swap was \$6,950,000 which was comprised of two separate swap agreements, one for \$4,895,000 at a fixed interest rate of 4.135% that matures on July 1, 2032 and the other for \$2,055,000 at a fixed interest rate of 3.965% that matures on July 1, 2015. The current amount of bonds under the swap agreement is \$4,615,000 maturing on July 1, 2032 and \$1,585,000 maturing on July 1, 2015. The total remaining principal not covered by the swap is \$780,000. Changes in the fair value of the swap are accounted for as change in fair value of swap contract in the accompanying statements of activities.

9. FAIR VALUE MEASUREMENTS

The fair value of financial instruments measured on a recurring basis at June 30, 2010 and 2009 are as follows:

<u>June 30, 2010</u>	<u>Fair Value Measurements at Reporting Date Using:</u>		
	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>
Assets			
Investments (see Note 2)	\$ 464,912	\$ 464,912	\$ -
Liabilities			
Fair value of interest rate swap agreement (see Note 8)	\$ 1,091,427	\$ -	\$ 1,091,427
 June 30, 2009			
Assets			
Investments (see Note 2)	\$ 465,723	\$ 465,723	\$ -
Liabilities			
Fair value of interest rate swap agreement (see Note 8)	\$ 893,898	\$ -	\$ 893,898

SFAS No. 157, Fair Value Measurements which is now known as FASB ASC 820, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy consists of three broad levels: Level 1 inputs consisting of quoted prices in active markets for identical assets and liabilities have the highest priority, Level 2 consists of other observable inputs other than Level 1 prices, and Level 3 inputs consist of unobservable inputs and have the lowest priority. The Agency uses appropriate valuation techniques based on the available inputs to measure the fair value of its financial instruments. When available, the Agency measures fair value using Level 1 and Level 2 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

Level 1 Fair Value Measurements

The fair value of investments is based on quoted market prices of the investments held by the Agency at June 30, 2010 and 2009.

Level 2 Fair Value Measurements

The interest rate swap agreement is not actively traded however, other significant observable inputs exist. The fair value of the interest rate swap agreement is based on the amount the Agency would have to pay to terminate the swap agreement at June 30, 2010 and 2009.

10. PENSION PLAN

The Agency maintains a noncontributory, defined contribution retirement plan which covers all full or part-time employees who meet certain minimum hours of service requirements. In addition, employees must complete one year of service by January 1 to qualify for employer contributions during that year.

The Agency's contributions to the plan range from 3% to 12%, based on the employee's years of service, and are based on wages earned during the calendar year for qualifying employees. The contributions are deposited into a tax-deferred annuity, which is administered in compliance with the Employee Retirement Income Security Act of 1974 (ERISA). The Agency's pension expense was \$954,094 and \$903,312 for the years ended June 30, 2010 and 2009, respectively.

11. AFFILIATED CORPORATIONS

The Agency is related to The Wildwood Foundation (the Foundation) and the Wildwood Family Corporation (WFC) in that Wildwood Family Corporation is the sole member of the Foundation and the Agency.

The Foundation is a not-for-profit corporation which began operations July 1, 1998 and whose charitable purpose is supporting and assisting WFC and the Agency. The Foundation is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. As a supporting corporation, the Foundation carries on fund-raising activities and special events that are for the benefit of the Agency.

WFC is a not-for-profit corporation founded in 1998 to operate exclusively for the charitable purpose of supporting and strengthening the charitable mission of the Agency and the Foundation. WFC is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code.

During the years ended June 30, 2010 and 2009, the following transactions occurred between the Agency and the Foundation:

- The Foundation donated \$823,125 and \$1,382,408 to the Agency for the years ended June 30, 2010 and 2009, respectively. These amounts are included in contributions on the statements of activities.
- The Agency has a contract with the Foundation to reimburse certain costs incurred by the Agency. This contract includes the salaries and benefits of those staff that perform work on behalf of the Foundation. The Agency charged administrative fees of \$19,273 and \$17,748 to the Foundation for the reimbursement of an allocation of business office operations for the years ended June 30, 2010 and 2009, respectively. The fees are included in other income.

The Foundation owed \$38,469 and \$43,936 to Wildwood Programs, Inc. as of June 30, 2010 and 2009, respectively.

12. CHANGE IN RETIREMENT HEALTH BENEFIT FROM A DEFINED BENEFIT PLAN TO A DEFINED CONTRIBUTION PLAN

The Agency created its first post retirement health plan program in 2001. The program was set up as a defined benefit plan such that the amount of benefits to be paid out to each employee during retirement was based on a combination of the cost of the benefit at the time of retirement and the value of sick time available to the employee at the time of retirement. Subsequent to the establishment of the benefit, changes in accounting standards made it a requirement of the agency to conduct an annual actuarial study to discern the agency's probable long-term liability. The results of the study are used to determine the estimated reserve the agency would carry on its books to ensure that it could meet the future cash outlays of the program.

In addition to the actual benefit, the total cost of providing this benefit is increased by the Agency having to pay for the annual actuarial study.

Given the combination of low employee usage of the benefit, a high administrative cost relative to the actual monetary benefit paid, the huge difference between the annual reserve cost and the amount of paid out in the form of benefits, and the general unpredictability of the long-term liability, the Agency had opted to eliminate the defined benefit plan for its retirement health benefit as of June 30, 2009 and replace it with a defined contribution plan.

The Agency adjusted the financial statements at June 30, 2009 to account for the reduction of the liability as the result of this conversion from the defined benefit plan to the defined contribution plan. The Agency recorded the reduction of liability in the year ended June 30, 2009 as a Change in Retirement Health Benefit Obligation in the amount of \$207,673. At June 30, 2010 the liability was increased and was also recorded as a change in Retirement Health Benefit Obligation in the amount of \$23,100. At June 30, 2010, the total liability recorded is \$302,400.

13. RESTRICTED NET ASSETS

In August 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) No. FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures of All Endowment Funds*, which is now known as FASB ASC 958-205. FASB ASC 958-205 provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). FASB ASC 958-205 also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

Wildwood Programs, Inc.
Notes to Financial Statements
June 30, 2010 and 2009

Wildwood Programs, Inc.
Notes to Financial Statements
June 30, 2010 and 2009

13. RESTRICTED NET ASSETS

Management has interpreted UPMIFA as requiring the preservation of the fair value of the original donor-restricted contributions as of the date of the gift, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Program classifies as permanently restricted net assets the original value of permanently restricted contributions. The remaining portion of restricted contributions are classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a matter consistent with the standard of prudence prescribed by UPMIFA.

The Program has adopted investment and spending policies for permanently restricted net assets that attempt to provide a predictable stream of funding to programs while maintaining purchasing power. All earnings from these funds are reflected as temporarily restricted net assets until appropriated for program expenditures.

Permanently restricted net assets represent a portion of the interest in the net assets of its related party as well as Agency funds that are subject to donor-imposed restrictions requiring the corpus to be held in perpetuity. As of June 30, 2010 and 2009, permanently restricted net assets of the Agency consisted of the following:

	<u>2010</u>	<u>2009</u>
Hearst Endowment Fund	\$ <u>181,758</u>	\$ <u>168,213</u>

Changes in endowment funds for the year ended June 30, 2010 and 2009 are as follows:

	<u>2010</u>		
	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Funds</u>
Endowment funds, beginning of year	\$ (31,787)	\$ 200,000	\$ 168,213
Contributions	-	-	-
Investment income	-	-	-
Net appreciation (depreciation)	13,545	-	13,545
Amounts appropriated for expenditure	-	-	-
Endowment funds, end of year	<u>\$ (18,242)</u>	<u>\$ 200,000</u>	<u>\$ 181,758</u>

13. RESTRICTED NET ASSETS

2009

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Funds</u>
Endowment funds, beginning of year	\$ -	\$ 200,000	\$ 200,000
Contributions	-	-	-
Investment income	-	-	-
Net appreciation (depreciation)	(31,787)	-	(31,787)
Amounts appropriated for expenditure	-	-	-
Endowment funds, end of year	<u>\$ (31,787)</u>	<u>\$ 200,000</u>	<u>\$ 168,213</u>

14. CONCENTRATIONS

The Agency maintains cash balances at various financial institutions. Accounts at each institution were insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 during the years ended June 30, 2010 and 2009. At times, during the years, the Agency had bank deposits in excess of amounts insured by the FDIC.

Approximately 83% and 86% of the Agency's financing is with the County of Albany Industrial Development Agency and the Guilderland Industrial Development Agency for the years ended June 30, 2010 and 2009, respectively.

15. CONTINGENCIES

Personal Allowance Accounts

The Agency is the custodian of clients' personal allowance funds. OPWDD regulations provide for the use of these funds for authorized and allowable purchases for consumer personal items. Those regulations prohibit the Agency from using or commingling these funds with any of their accounts. As the Agency has no legal right to these funds they have not been reflected in the financial statements.

Litigation

The Agency had been named as a defendant in human rights and discrimination claims filed by former employees. The Agency filed complete responses to the allegations and vigorously defended its positions in connection with the charges. All the claims have been resolved in favor of Wildwood.

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Wildwood Programs, Inc.
Notes to Financial Statements
June 30, 2010 and 2009

15. CONTINGENCIES

Medicaid and Service Fees

An internal evaluation of certain service documentation under Medicaid and similar state funded programs disclosed a number of instances where New York State documentation standards were not met. As a result, the Agency reported the matter to the OPWDD, consulted legal counsel and at June 30, 2009 estimated the potential loss to be \$866,232, which was included in deferred revenue in the June 30, 2009 financial statements. OPWDD did a due diligence review of the Agency's payback amount and agreed with the amount. As of June 30, 2010, the Agency had paid back to OPWDD a total of \$712,832, leaving a balance due at June 30, 2010, of \$153,400, which is included in deferred revenue.

16. PRIOR PERIOD ADJUSTMENT

Net assets as of June 30, 2008 have been reclassified between the unrestricted, temporarily restricted and permanently restricted net asset classifications to properly reflect the restrictions imposed by the donors.

17. EVALUATION OF SUBSEQUENT EVENTS

The Agency has evaluated subsequent events through September 23, 2010, the date which the financial statements were available to be issued.

Wildwood Programs, Inc.
Schedule of Functional Expenses
For the Year Ended June 30, 2010
(With Comparative Totals for 2009)

	Wildwood Programs	Management and General	2010 Total	2009 Restated Total
Functional Expenses				
Salaries and wages	\$ 16,074,054	\$ 1,326,408	\$ 17,400,462	\$ 16,545,716
Employee benefits	5,758,761	394,651	6,153,412	5,550,541
Total Salaries and Employee Benefits	<u>21,832,815</u>	<u>1,721,059</u>	<u>23,553,874</u>	<u>22,096,257</u>
Supplies	1,401,707	59,732	1,461,439	1,512,143
Transportation	1,412,611	4,022	1,416,633	1,391,439
Occupancy	774,511	-	774,511	687,844
Rental of equipment	7,052	-	7,052	-
Professional fees and contract service payments	232,941	71,983	304,924	307,909
Interest	630,499	43,551	674,050	760,056
Utilities	383,770	15,283	399,053	447,109
Repairs and maintenance	397,589	7,754	405,343	350,987
Conferences, convention and meetings	176,331	31,165	207,496	175,705
Insurance	171,155	1,006	172,161	178,771
Telephone	118,259	12,501	130,760	137,235
Postage and shipping	19,541	13,652	33,193	27,618
Bad debts	30,814	-	30,814	48,923
Printing and publications	7,741	4,975	12,716	8,552
Depreciation and amortization	<u>1,214,704</u>	<u>53,704</u>	<u>1,268,408</u>	<u>1,280,067</u>
Total Functional Expenses	<u>\$ 28,812,040</u>	<u>\$ 2,040,387</u>	<u>\$ 30,852,427</u>	<u>\$ 29,410,615</u>

Wildwood Programs, Inc.
June 30, 2009



BRYANS & GRAMUGLIA
CPAs, LLC

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Independent Auditors' Report

Board of Directors
Wildwood Programs, Inc.

We have audited the accompanying statement of financial position of Wildwood Programs, Inc. (the Agency) as of June 30, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 Agency'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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wildwood Programs, Inc. as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on page 16 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bryans & Gramuglia CPAs, LLC

Albany, New York
November 4, 2009

Wildwood Programs, Inc.
Statement of Financial Position
June 30, 2009

Wildwood Programs, Inc.
Statement of Activities
For the Year Ended June 30, 2009

ASSETS	
Current Assets	
Cash and cash equivalents	\$ 3,405,102
Investments	437,237
Accounts receivable	3,010,051
Due from The Wildwood Foundation	43,936
Prepaid expense	165,453
Total Current Assets	<u>7,061,779</u>
Property, Plant and Equipment	
Land and improvements	2,234,751
Building and improvements	20,676,699
Furniture, fixtures and equipment	2,833,087
Total	<u>25,744,537</u>
Less accumulated depreciation	9,987,998
Net Property, Plant and Equipment	<u>15,756,539</u>
Other Assets	
Debt service reserves and restricted deposits	772,413
Escrow	17,657
Security deposits	60,347
Deferred financing costs, net of accumulated amortization of \$398,413	839,021
Interest in net assets of related party	4,853,016
Total Other Assets	<u>6,542,454</u>
TOTAL ASSETS	<u>\$ 29,360,772</u>
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts payable	\$ 134,425
Lines of credit	602,701
Accrued expenses and payroll withholdings	2,686,160
Deferred revenue	1,013,565
Due to funding sources	456,697
Current installments of long-term debt	1,206,805
Total Current Liabilities	<u>6,100,353</u>
Long-Term Liabilities	
Long-term debt, net of current installments	11,730,795
Fair value of swap agreement	893,898
Retirement health benefit obligation	279,300
Total Long-Term Liabilities	<u>12,903,993</u>
Total Liabilities	<u>19,004,346</u>
Net Assets	
Unrestricted	5,503,410
Temporarily restricted	4,177,481
Permanently restricted	675,535
Total Net Assets	<u>10,356,426</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 29,360,772</u>

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Program Support and Revenue				
Government agencies	\$ 26,327,256	\$ -	\$ -	\$ 26,327,256
Program fees from clients	1,806,289	-	-	1,806,289
Restricted operating grants	631,876	-	-	631,876
Total Program Support and Revenue	<u>28,765,421</u>	<u>-</u>	<u>-</u>	<u>28,765,421</u>
Nonprogram Support and Revenue				
Contributions	1,394,888	-	-	1,394,888
Investment income	5,240	-	-	5,240
Consulting fees and conferences	3,216	-	-	3,216
Other income	75,441	-	-	75,441
Total Nonprogram Support and Revenue	<u>1,478,785</u>	<u>-</u>	<u>-</u>	<u>1,478,785</u>
Total Revenue	<u>30,244,206</u>	<u>-</u>	<u>-</u>	<u>30,244,206</u>
Expenses and Losses				
Wildwood Programs	27,443,914	-	-	27,443,914
Management and general	1,966,701	-	-	1,966,701
Total Expenses and Losses	<u>29,410,615</u>	<u>-</u>	<u>-</u>	<u>29,410,615</u>
Change in Net Assets Before Change in Interest of Net Assets of Related Party	833,591	-	-	833,591
Change in Interest in Net Assets of Related Party	-	(1,018,850)	-	(1,018,850)
Change in Net Assets Before Change in Fair Value of Swap Contract and Before Change in Retirement Health Benefit Obligation	833,591	(1,018,850)	-	(185,259)
Change in Fair Value of Swap Contract	(343,431)	-	-	(343,431)
Change in Retirement Health Benefit Obligation	207,673	-	-	207,673
Change in Net Assets	697,833	(1,018,850)	-	(321,017)
Net Assets, Beginning of Year as Previously Reported	4,805,577	5,657,662	214,204	10,677,443
Prior Period Adjustment	-	(461,331)	461,331	-
Net Assets, Beginning of Year as Restated	4,805,577	5,196,331	675,535	10,677,443
Net Assets, End of Year	<u>\$ 5,503,410</u>	<u>\$ 4,177,481</u>	<u>\$ 675,535</u>	<u>\$ 10,356,426</u>

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Wildwood Programs, Inc.
Notes to Financial Statements
June 30, 2009

Wildwood Programs, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2009

Cash Flows From Operating Activities	
Change in Net Assets	\$ (321,017)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation and amortization	1,280,067
Bad debts	48,923
Realized/unrealized (gain) loss on investments	22,580
Change in fair value of swap contract	343,431
Change in interest in net assets of related party	1,018,850
Change in Retirement Health Benefit Obligation	(207,673)
(Increase)/decrease in assets	
Accounts receivable	173,821
Prepaid expense	49,085
Security deposits	(26,525)
Increase/(decrease) in liabilities	
Accounts payable	(149,819)
Accrued expenses and payroll withholdings	995,558
Deferred revenue	290,503
Due to funding sources	456,697
Net Cash Provided by Operating Activities	<u>3,974,481</u>
Cash Flows From Investing Activities	
Net proceeds (purchases) of investments	25,003
Purchases of property, plant and equipment	(1,150,147)
(Increase) decrease in debt service reserve	(177,351)
Net change in due from/to The Wildwood Foundation	(94,235)
Net Cash Used by Investing Activities	<u>(1,396,730)</u>
Cash Flows From Financing Activities	
Net change in deferred financing costs	(5,246)
Net advances (repayment) on lines of credit	254,621
Repayment of long-term debt	(2,469,807)
Change in escrow	(7,565)
Net Cash Used by Financing Activities	<u>(2,227,997)</u>
Net Increase in Cash and Cash Equivalents	349,754
Cash and Cash Equivalents, Beginning of Year	<u>3,055,348</u>
Cash and Cash Equivalents, End of Year	<u>\$ 3,405,102</u>
Supplemental Disclosure of Cash Flow Information	
Cash paid for interest	<u>\$ 760,056</u>
Noncash Investing Transactions	
Net realized/unrealized gain (loss) on investments	<u>\$ (22,580)</u>

See accompanying notes to financial statements.

- page 4 -

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Wildwood Programs, Inc. (the Agency) is a private nonprofit organization that provides education, training and other services for persons with learning or other developmental disabilities in New York State. Revenues are derived from Medicaid, New York State Office of Mental Retardation and Developmental Disabilities (OMRDD) and New York State Education Department (SED) reimbursements, contract sales and participant fees. The majority of the revenues and receivables are from Medicaid. The Agency extends credit to school districts and other governmental entities within New York State for services provided.

Revenue Recognition

Revenue from Medicaid, OMRDD and SED is recognized when services are rendered at approved rates. These rates are primarily cost based as determined by allowable expenditures in rate-setting periods. Costs are subject to audit by third party payors and changes, if any, are recognized in the year known. Client fees represent the participants' personal contribution towards the cost of goods and services provided by the Agency. These charges are regulated by federal and state law. Sales are recognized as goods are shipped or as services are performed.

Contributions

Contributions are recognized when the donor makes a promise to give to the Agency that is, in substance, unconditional. Contributions without donor-imposed restrictions are reported as unrestricted support. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Financial Statement Presentation

The net assets of the Agency are reported in the three classes of net assets as follows:

Unrestricted Net Assets – Include amounts that have no external restrictions on their use or purpose. The Board of Directors can authorize use of those funds as it desires to carry on the purpose of the Agency according to its by-laws.

Temporarily Restricted Net Assets – Include the portion of the interest in the net assets of its related party that is other than permanently restricted on the related party's financial statements and represents resources that are either temporarily restricted by the donor or are not available for immediate use by the Agency until they are transferred by the related party.

Permanently Restricted Net Assets – Include the portion of the interest in the net assets of its related party that are permanently restricted on the related party's financial statements and represent donor stipulations to maintain donated amounts in perpetuity.

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Wildwood Programs, Inc.
Notes to Financial Statements
June 30, 2009

Wildwood Programs, Inc.
Notes to Financial Statements
June 30, 2009

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Agency considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Wildwood uses the direct write-off method of accounting for bad debts. Bad debt expense was \$48,923 for the year ended June 30, 2009.

Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at acquisition cost or at their estimated fair values at date of donation less accumulated depreciation. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations on a straight-line basis over the following estimated useful lives:

	<u>Years</u>
Land improvements	2-25
Building and improvements	5-25
Furniture, fixtures and equipment	5-10

Additions and betterments are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently. When property, plant and equipment are sold or otherwise disposed of, the asset account and the related accumulated depreciation account are relieved and any gain or loss is included in operations.

Deferred Financing Costs

Deferred financing costs consist of bond closing costs incurred on the Agency's various bonded mortgages. These costs are being amortized on a straight-line basis over the terms of the obligations. Amortization expense was \$58,463 for the year ended June 30, 2009. Amortization expense is expected to be approximately \$58,000 in each of the next five years.

Deferred Revenue

Deferred revenue represents funds received for which the Agency has not fulfilled their obligation to recognize them as revenue. Services will be provided in future periods and any remaining amounts will be recouped by funding sources.

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair Value of Debt Instruments

The carrying amount of debt instruments on the financial statements approximates fair value based on current rates at which the Agency could borrow funds with similar remaining maturities.

Income Tax Status

The Agency is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Agency qualifies for charitable contribution deductions and has been classified as an organization other than a private foundation.

Allocation of Expenses

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services using specific allocation methods. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Agency.

Risks and Uncertainties

The Agency invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and, that such changes could materially affect the amounts reported in the statement of financial position.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

2. INVESTMENTS

Investments consist of marketable equity and debt securities carried at fair value based on readily determinable quoted market prices and consist of the following at June 30, 2009:

	<u>Cost</u>	<u>Fair Value</u>
Equities	\$ 107,415	\$ 92,642
U.S. Government Obligations	<u>306,617</u>	<u>344,595</u>
Total Investments	<u>\$ 414,032</u>	<u>\$ 437,237</u>

Wildwood Programs, Inc.
Notes to Financial Statements
June 30, 2009

Wildwood Programs, Inc.
Notes to Financial Statements
June 30, 2009

2. INVESTMENTS

The following schedule summarizes the investment income in the statement of activities for the year ended June 30, 2009:

Interest and dividend income	\$ 27,820
Net realized and unrealized gain (loss) on investments	<u>(22,580)</u>
Total Investment Income	<u>\$ 5,240</u>

3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, consists of the following as of June 30, 2009:

Land	\$ 960,600
Land improvements	1,274,151
Building	10,780,718
Building improvements	9,895,981
Furniture, fixtures and equipment	<u>2,833,087</u>
Total	25,744,537
Less: Accumulated depreciation	<u>9,987,998</u>
Net, Property, Plant and Equipment	<u>\$ 15,756,539</u>

Depreciation expense was \$1,221,604 for the year ended June 30, 2009.

4. DEBT SERVICE RESERVES AND RESTRICTED DEPOSITS

The debt service reserve represents deposits held by the Trustees of the Dormitory Authority (DA) and Albany County Industrial Development Agency (AIDA). These deposits will be used to satisfy the last payments required on mortgages held by the DA and the AIDA or can be used prior to that time to pay amounts that are in default. The reserve fund earns interest which is used to reduce the payment obligations under the mortgages. Total debt service reserves were \$700,714 at June 30, 2009.

Restricted deposits represent amounts held in trust by a third-party administrator related to the Agency's pension plan. These amounts are to be used to pay for employer contributions or expenses of the Plan. The restricted deposits were \$71,699 at June 30, 2009.

5. LINES OF CREDIT

The Agency has the following lines of credit as of June 30, 2009:

\$750,000 unsecured line of credit with Key Bank to be drawn upon as needed for real estate, interest at the LIBOR rate, expiring December 31, 2009. The line is guaranteed by The Wildwood Foundation. \$ 346,817

5. LINES OF CREDIT

\$500,000 unsecured line of credit with Citizens Bank, N.A. to be drawn upon as needed for real estate, interest at the LIBOR rate, expiring January 30, 2010. The line is guaranteed by The Wildwood Foundation. \$ 255,884

\$500,000 unsecured line of credit with KeyBank to be drawn upon as needed, interest at the LIBOR rate, expiring December 31, 2009. The line is guaranteed by The Wildwood Foundation. -

\$750,000 unsecured line of credit with Citizens Bank, N.A. to be drawn upon as needed, interest at the LIBOR rate, expiring January 30, 2010. The line is guaranteed by The Wildwood Foundation. -

Total Lines of Credit \$ 602,701

6. LEASES

The Agency's minimum future rental payments under non-cancelable operating leases having remaining terms in excess of one year as of June 30, 2009 for each of the next five years and in the aggregate are as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2010	\$ 436,920
2011	486,695
2012	503,224
2013	503,007
2014	493,953
Thereafter	2,564,897

Rental expense included in the statement of activities was \$687,844 for the year ended June 30, 2009.

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Wildwood Programs, Inc.
Notes to Financial Statements
June 30, 2009

Wildwood Programs, Inc.
Notes to Financial Statements
June 30, 2009

7. LONG-TERM DEBT

The Agency's long-term debt consists of the following as of June 30, 2009:
 2003 Insured Revenue Bonds, issued through the Dormitory Authority of the State of New York, under its New York State Rehabilitation Associated Pooled Loan Program No. 2, consisting of two issues, Series 2003A (non-taxable) and 2003B (federally taxable). Several not-for-profit corporations received varying portions of the bond issue proceeds. Each corporation's liability is limited to its allocable portion of the unpaid principal amount of the outstanding bonds. The bonds are secured by the pledge of revenues, subject to prior pledges and the reserve funds established under the bond. The bond is also secured by two financial guaranty insurance policies. Bonds are payable in various increments through July 1, 2019. Interest rates vary from 3.00% to 5.25%, depending on the maturity date of the particular bond. Payments by the participating corporations are due monthly. The loan agreements also contain various covenants, including a debt service coverage ratio. The Agency was in compliance with the covenants as of June 30, 2009.

\$ 640,000

2006 Insured Revenue Bonds with the Albany County Industrial Development Agency, issued through the Bank of New York, under Special Needs Facility Pooled Program, consisting of two issues, Series 2006K-1 (non-taxable) and Series 2005K-2 (federally taxable). The bonds are secured by the mortgaged property located in Colonie, New York; a security interest in certain fixtures, furnishings and equipment. The bond is also secured by financial guaranty insurance policies. Bonds are payable in various increments through July 1, 2026. Interest rates range from 4.8%-5%. Payments are due semi-annually on January 1 and July 1.

3,365,000

Vehicle and equipment loans payable to various financial institutions at interest rates ranging from 0.9% to 7.375%, secured by vehicles and equipment. Monthly payments range from \$319 to \$702 and are applied first to interest and then to principal. The loans have maturity dates through June 2012.

626,961

2007 Insured Revenue Bonds with the Guilderland Industrial Development Agency, issued through Bank of New York, under the Multi-Mode Variable Rate Civic Facility Program, consist of four issues. The bonds are secured by the land and building located in Guilderland, New York; a security interest in certain fixtures, furnishings and equipment. The bond is also secured by financial guaranty insurance policies. Bonds are payable in various increments through July 1, 2032. Interest rates in effect during the year ended June 30, 2009 ranged between .85%-8.00%. Payments are due annually on July 1. These rates are fixed with an interest rate swap contract with Key Bank (See Note 8).

7,580,000

7. LONG-TERM DEBT

Community Preservation Corporation Mortgage, fixed interest rate of 6.05%, monthly payments of \$5,841 through October 2019, secured by buildings.

	<u>\$ 725,639</u>
Total	12,937,600
Less current installments	<u>1,206,805</u>
Long-term Debt, Net of Current Installments	<u>\$ 11,730,795</u>

Long-term debt is payable in each of the next five years as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2010	\$ 1,206,805
2011	987,605
2012	1,039,023
2013	960,445
2014	951,422

Interest expense was \$760,056 for the year ended June 30, 2009.

The Agency has agreed to a number of covenants including a fixed charge coverage ratio of 1:1. At June 30, 2009 the Agency met this debt covenant requirement.

8. INTEREST RATE SWAP AGREEMENT

The Agency entered into an interest rate swap agreement (the Swap) in order to reduce the impact of changes in interest rates on its Variable Rate Demand Civic Facility Revenue Bonds, issued by the Guilderland Industrial Development Agency. The Swap qualifies as a hedge under generally accepted accounting principles. The Agency has assumed no ineffectiveness in the Swap as, among other things, the notional amount of the Swap is for \$6,950,000 which is comprised of two separate swap agreements, one for \$4,895,000 at a fixed interest rate of 4.135% that matures on July 1, 2032 and the other for \$2,055,000 at a fixed interest rate of 3.965% that matures on July 1, 2015. The total amount of the Swap is for \$3,485,000 less than the principal amount of the revenue bonds. Changes in the fair value of the Swap are accounted for as change in fair value of swap contract in the accompanying Statement of Activities.

Wildwood Programs, Inc.
Notes to Financial Statements
June 30, 2009

Wildwood Programs, Inc.
Notes to Financial Statements
June 30, 2009

9. FAIR VALUE MEASUREMENTS

The fair value of financial instruments measured on a recurring basis at June 30, 2009 is as follows:

	<u>Fair Value Measurements at Reporting Date Using:</u>		
	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>
ASSETS			
Investments (see Note 2)	\$ 437,237	\$ 437,237	\$ _____
LIABILITIES			
Fair value of interest rate swap agreement (see Note 8)	\$ 893,898	\$ _____	\$ 893,898

SFAS No. 157, Fair Value Measurements, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy consists of three broad levels: Level 1 inputs consisting of quoted prices in active markets for identical assets and liabilities have the highest priority, Level 2 consists of other observable inputs other than Level 1 prices, and Level 3 inputs consist of unobservable inputs and have the lowest priority. The Agency uses appropriate valuation techniques based on the available inputs to measure the fair value of its financial instruments. When available, the Agency measures fair value using Level 1 and Level 2 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

Level 1 Fair Value Measurements

The fair value of investments is based on quoted market prices of the investments held by the Agency at June 30, 2009.

Level 2 Fair Value Measurements

The interest rate swap agreement is not actively traded however, other significant observable inputs exist. The fair value of the interest rate swap agreement is based on the amount the Agency would have to pay to terminate the swap agreement at June 30, 2009.

10. PENSION PLAN

The Agency maintains a noncontributory, defined contribution retirement plan which covers all full or part-time employees who meet certain minimum hours of service requirements. In addition, employees must complete one year of service by January 1 to qualify for employer contributions during that year.

The Agency's contributions to the plan range from 4% to 10%, based on the employee's years of service, and are based on wages earned during the calendar year for qualifying employees. The contributions are deposited into a tax-deferred annuity, which is administered in compliance with the Employee Retirement Income Security Act of 1974 (ERISA). The Agency's pension expense was \$903,312 for the year ended June 30, 2009.

11. AFFILIATED CORPORATIONS

The Agency is related to The Wildwood Foundation (the Foundation) and the Wildwood Family Corporation (WFC) in that Wildwood Family Corporation is the sole member of the Foundation and the Agency.

The Foundation is a not-for-profit corporation which began operations July 1, 1998 and whose charitable purpose is supporting and assisting WFC and the Agency. The Foundation is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. As a supporting organization, the Foundation has taken over various fund-raising activities and special events that were previously carried on by the Agency.

WFC is a not-for-profit corporation founded in 1998 to operate exclusively for the charitable purpose of supporting and strengthening the charitable mission of the Agency and the Foundation. WFC is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code.

During the year ended June 30, 2009, the following transactions occurred between the Agency and the Foundation:

- The Foundation donated \$1,382,408 to the Agency. This amount is included in contributions on the Statement of Activities.
- The Agency has a contract with the Foundation to reimburse certain costs incurred by the Agency. This contract includes the salaries and benefits of those staff that perform work on behalf of the Foundation. The Agency charged administrative fees of \$17,748 to the Foundation for the reimbursement of an allocation of business office operations. The fees are included in other income.

The Foundation owed \$43,936 to Wildwood Programs, Inc. as of June 30, 2009.

12. CHANGE IN RETIREMENT HEALTH BENEFIT FROM A DEFINED BENEFIT PLAN TO A DEFINED CONTRIBUTION PLAN

The Agency created its first post retirement health plan program in 2001. The program was set up as a defined benefit plan such that the amount of benefits to be paid out to each employee during retirement was based on a combination of the cost of the benefit at the time of retirement and the value of sick time available to the employee at the time of retirement. Subsequent to the establishment of the benefit, changes in accounting standards made it a requirement of the agency to conduct an annual actuarial study to discern the agency's probable long-term liability. The results of the study are used to determine the estimated reserve the agency would carry on its books to ensure that it could meet the future cash outlays of the program.

In addition to the actual benefit, the total cost of providing this benefit is increased by the Agency having to pay for the annual actuarial study.

Given the combination of low employee usage of the benefit, a high administrative cost relative to the actual monetary benefit paid, the huge difference between the annual reserve cost and the amount of paid out in the form of benefits, and the general unpredictability of the long-term liability, the Agency has opted to eliminate the defined benefit plan for its retirement health benefit as of June 30, 2009 and replace it with a defined contribution plan. Administration of the new plan should be much simpler and, therefore, of lower cost and higher quality. At the same time, the funding of the plan will be made in the form of actual contributions as opposed to funds held in reserve, thus making the plan funding predictable for both the Agency and its employees.

The Agency adjusted the financial statements at June 30, 2009 to account for the reduction of the liability as the result of this conversion from the defined benefit plan to the defined contribution plan. The Agency recorded the reduction of liability in the year ended June 30, 2009 as a Change in Retirement Health Benefit Obligation in the amount of \$207,673.

13. CONCENTRATIONS

The Agency maintains cash balances at various financial institutions. Accounts at each institution were insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 during the year ended June 30, 2009. At times, during the year, the Agency had bank deposits in excess of amounts insured by the FDIC.

Approximately 86% of the Agency's financing is with the County of Albany Industrial Development Agency and the Guilderland Industrial Development Agency.

14. CONTINGENCIES

Personal Allowance Accounts

The Agency is the custodian of clients' personal allowance funds. OMRDD regulations provide for the use of these funds for authorized and allowable purchases for consumer personal items. Those regulations prohibit the Agency from using or commingling these funds with any of their accounts. As the Agency has no legal right to these funds they have not been reflected in the financial statements.

Litigation

The Agency has been named as a defendant in a wrongful dismissal and discrimination claim filed by a former employee. The Agency has filed a complete response to the allegations and will continue to vigorously defend its position in connection with the charges. At this time, the outcome of this claim cannot be predicted. However, if the plaintiffs are successful in their claim, they could be awarded job reinstatement, lost wages, and other damages.

Medicaid and Service Fees

An internal evaluation of certain service documentation under Medicaid and similar state funded programs disclosed a number of instances where New York State documentation standards were not met. As a result, the Agency reported the matter to the New York State Office of Mental Retardation and Developmental Disabilities, consulted legal counsel and estimated the potential loss to be \$866,232, which is included in deferred revenue in the June 30, 2009 financial statements. Approximately \$266,000 has been recognized in the accompanying financial statements as a reduction to program support and revenue for the year ended June 30, 2009. It is at least reasonably possible that the estimate of the potential loss could change in the near term.

15. PRIOR PERIOD ADJUSTMENT

Net assets as of June 30, 2008 have been reclassified between the unrestricted, temporarily restricted and permanently restricted net asset classifications to properly reflect the restrictions imposed by the donors.

Wildwood Programs, Inc.
Schedule of Functional Expenses
For the Year Ended June 30, 2009

	<u>Wildwood Programs</u>	<u>Management and General</u>	<u>Total</u>
Functional Expenses			
Salaries and wages	\$ 15,259,331	\$ 1,286,385	\$ 16,545,716
Employee benefits	5,176,925	373,616	5,550,541
Total Salaries and Employee Benefits	<u>20,436,256</u>	<u>1,660,001</u>	<u>22,096,257</u>
Supplies	1,448,120	64,023	1,512,143
Transportation	1,386,198	5,241	1,391,439
Occupancy	687,844	-	687,844
Professional fees and contract service payments	243,005	64,904	307,909
Interest	708,293	51,763	760,056
Utilities	432,577	14,532	447,109
Repairs and maintenance	343,822	7,165	350,987
Conferences, convention and meetings	148,904	26,801	175,705
Insurance	177,361	1,410	178,771
Telephone	138,350	(1,115)	137,235
Postage and shipping	14,439	13,179	27,618
Bad debts	48,923	-	48,923
Printing and publications	2,654	5,898	8,552
Depreciation and amortization	1,227,168	52,899	1,280,067
Total Functional Expenses	<u>\$ 27,443,914</u>	<u>\$ 1,966,701</u>	<u>\$ 29,410,615</u>

WILDWOOD PROGRAMS, INC.
FINANCIAL STATEMENTS
JUNE 30, 2008

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Independent Auditors' Report

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Board of Directors
Wildwood Programs, Inc.

Kevin J. McCoy
Thomas W. Donovan
Frank S. Venezia
James E. Arnell
Carol A. Hausmann
Benjamin R. Lasher
Daniel J. Litz

We have audited the accompanying statements of financial position of Wildwood Programs, Inc. (the Agency) as of June 30, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. 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 Agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

11 British American Blvd.
Latham, NY 12110
Ph: 518-785-0134
Fx: 518-785-0299

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wildwood Programs, Inc. as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Email:
contact@marvincpa.com
Web:
http://www.marvincpa.com

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of supplementary information on page 18 and 19 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Marvin and Company, P.C.



October 24, 2008

**WILDWOOD PROGRAMS, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2008 AND 2007**

ASSETS

	<u>2008</u>	<u>Restated 2007</u>
Cash and cash equivalents	\$ 3,055,348	\$ 1,633,033
Investments	484,820	271,143
Accounts receivable	3,232,795	3,133,677
Due from The Wildwood Foundation	-	15,507
Prepaid expense and other assets	214,538	206,081
Property, plant and equipment, net	15,834,947	13,937,062
Debt service reserves and restricted deposits	595,062	10,806,428
Escrow	10,092	26,097
Security deposits	33,822	531,346
Deferred charges, net	892,238	949,366
Interest in net assets of related party	5,871,866	5,183,275
TOTAL ASSETS	\$ 30,225,528	\$ 36,693,015

LIABILITIES AND NET ASSETS

Liabilities		
Lines of credit	\$ 348,080	\$ 850,000
Accounts payable	284,244	5,318,383
Accrued expenses and payroll withholdings	1,690,602	2,640,593
Due to Wildwood Foundation	50,299	-
Deferred revenue	723,062	112,375
Bonds and other notes payable	15,407,407	18,101,410
Fair value of swap contract	550,467	-
Postretirement health care benefit obligation	493,924	431,150
Total Liabilities	<u>19,548,085</u>	<u>27,453,911</u>
Net Assets		
Unrestricted	4,805,577	4,055,829
Temporarily restricted	5,657,662	4,973,180
Permanently restricted	214,204	210,095
Total Net Assets	<u>10,677,443</u>	<u>9,239,104</u>
TOTAL LIABILITIES AND NET ASSETS	\$ 30,225,528	\$ 36,693,015

**WILDWOOD PROGRAMS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Program Support and Revenue				
Government agencies	\$ 24,997,889	\$ -	\$ -	\$ 24,997,889
Program fees from clients	1,761,214	-	-	1,761,214
Restricted operating grants	520,527	-	-	520,527
Total Program Support and Revenue	<u>27,279,630</u>	<u>-</u>	<u>-</u>	<u>27,279,630</u>
Nonprogram Support and Revenue				
Contributions	1,685,207	-	-	1,685,207
Investment income	150,423	-	-	150,423
Consulting fees and conferences	119,038	-	-	119,038
Other income	32,080	-	-	32,080
Total Nonprogram Support and Revenue	<u>1,986,748</u>	<u>-</u>	<u>-</u>	<u>1,986,748</u>
Total Revenue	<u>29,266,378</u>	<u>-</u>	<u>-</u>	<u>29,266,378</u>
Expenses and Losses				
Wildwood Programs	26,048,910	-	-	26,048,910
Management and general	1,917,253	-	-	1,917,253
Total Expenses and Losses	<u>27,966,163</u>	<u>-</u>	<u>-</u>	<u>27,966,163</u>
Change in Net Assets Before Change in Interest in Net Assets of Related Party	1,300,215	-	-	1,300,215
Change in Interest in Net Assets of Related Party	-	684,482	4,109	688,591
Change in Net Assets Before Swap Contract	1,300,215	684,482	4,109	1,988,806
Change in Fair Value of Swap Contract	<u>(550,467)</u>	<u>-</u>	<u>-</u>	<u>(550,467)</u>
Change in Net Assets	749,748	684,482	4,109	1,438,339
Net Assets at Beginning of Year	4,055,829	4,973,180	210,095	9,239,104
Net Assets at End of Year	\$ 4,805,577	\$ 5,657,662	\$ 214,204	\$ 10,677,443

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See accompanying notes to financial statements.

2.

See accompanying notes to financial statements.

3.

**WILDWOOD PROGRAMS, INC.
STATEMENT OF ACTIVITIES - RESTATED
FOR THE YEAR ENDED JUNE 30, 2007**

**WILDWOOD PROGRAMS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Program Support and Revenue				
Government agencies	\$ 22,592,442	\$ -	\$ -	\$ 22,592,442
Program fees from clients	1,672,512	-	-	1,672,512
Restricted operating grants	602,138	-	-	602,138
Prior Year Revenue Adjustment	(162,894)	-	-	(162,894)
Total Program Support and Revenue	<u>24,704,198</u>	<u>-</u>	<u>-</u>	<u>24,704,198</u>
Nonprogram Support and Revenue				
Contributions	172,511	-	-	172,511
Investment income	129,671	-	-	129,671
Consulting fees and conferences	205,236	-	-	205,236
Other income	37,163	-	-	37,163
Total Nonprogram Support and Revenue	<u>544,581</u>	<u>-</u>	<u>-</u>	<u>544,581</u>
Total Revenue	<u>25,248,779</u>	<u>-</u>	<u>-</u>	<u>25,248,779</u>
Expenses				
Wildwood Programs	23,967,548	-	-	23,967,548
Management and general	1,634,319	-	-	1,634,319
Total Expenses	<u>25,601,867</u>	<u>-</u>	<u>-</u>	<u>25,601,867</u>
Change in Net Assets Before Change in Interest in Net Assets of Related Party	(353,088)	-	-	(353,088)
Change in Interest in Net Assets of Related Party	-	1,379,541	13,819	1,393,360
Change in Net Assets Before Effect of Adoption of FASB No. 158	(353,088)	1,379,541	13,819	1,040,272
Effect of Adoption of FASB No. 158	(43,878)	-	-	(43,878)
Change in Net Assets	(396,966)	1,379,541	13,819	996,394
Net Assets at Beginning of Year	4,452,795	3,593,639	196,276	8,242,710
Net Assets at End of Year	\$ 4,055,829	\$ 4,973,180	\$ 210,095	\$ 9,239,104

	<u>2008</u>	<u>2007</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 1,438,339	\$ 996,394
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	1,161,539	886,371
Bad debts	29,687	4,894
Realized/unrealized (gain) loss on investments	(51,862)	(21,861)
Change in value of swap contract	550,467	-
Loss on disposal of assets	290	-
Effect of adoption of FASB No. 158	-	43,878
Change in interest in net assets of related party	(688,591)	(1,393,360)
(Increase) decrease in assets:		
Accounts receivable	(128,805)	105,452
Prepaid expense and other assets	(8,457)	(18,021)
Security deposits	497,524	(505,136)
Increase (decrease) in liabilities:		
Accounts payable	32,130	(33,149)
Accrued expenses and payroll withholdings	(949,991)	963,785
Deferred revenue	610,687	(113,641)
Postretirement health care benefits obligation	62,774	66,493
Net Cash Provided by Operating Activities	<u>2,555,731</u>	<u>983,099</u>
Cash Flows From Investing Activities		
Net proceeds (purchases) of investments	(161,815)	326
Net proceeds (purchases) of property, plant and equipment	(8,068,855)	(1,292,796)
(Increase) decrease in debt service reserve	10,211,366	(9,397,856)
Net change in due from/to The Wildwood Foundation	65,806	10,039
Net Cash Provided (Used) by Investing Activities	<u>2,046,502</u>	<u>(10,690,287)</u>
Cash Flows From Financing Activities		
Proceeds from lines of credit	1,300,000	1,750,000
Payments on lines of credit	(1,801,920)	(1,078,000)
Proceeds from issuance of bonds and other notes payable	263,366	10,293,702
Principal payments on bonds and other notes payable	(2,957,369)	(660,437)
Change in escrow	16,005	(8,240)
Expenditures/ writeoffs for bond closing costs	-	(324,722)
Net Cash Provided (Used) by Financing Activities	<u>(3,179,918)</u>	<u>9,972,303</u>
Net Increase in Cash and Cash Equivalents	1,422,315	275,115
Cash and Cash Equivalents at Beginning of Year	1,633,033	1,357,918
Cash and Cash Equivalents at End of Year	\$ 3,055,348	\$ 1,633,033
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	\$ 805,085	\$ 580,047

See accompanying notes to financial statements.

4.

See accompanying notes to financial statements.

5.

**WILDWOOD PROGRAMS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

1. NATURE OF ACTIVITIES

Wildwood Programs, Inc. (the Agency) is a nonprofit organization that provides education, training and other services for persons with learning or other developmental disabilities in New York State. Revenues are derived from Medicaid, New York State Office of Mental Retardation and Developmental Disabilities (OMRDD) and the New York State Education Department (SED) reimbursements, contract sales and participant fees. The majority of the revenues and receivables are from Medicaid. The Agency extends credit to school districts and other governmental entities within New York State for services provided.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

Revenue from Medicaid, OMRDD and SED is recognized when services are rendered at approved rates. These rates are primarily cost based and determined by allowable expenditures in rate-setting periods. Costs are subject to audit by third party payors and changes, if any, are recognized in the year known. Client fees represent the participants' personal contribution towards the cost of goods and services provided by the Agency. These charges are regulated by Federal and State law. Sales are recognized as goods are shipped or as services are performed.

Contributions

Contributions are recognized when the donor makes a promise to give to the Agency that is, in substance, unconditional. Contributions without donor-imposed restrictions are reported as unrestricted support. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Financial Statement Presentation

The net assets of the Agency are reported in the three classes of net assets as follows:

Unrestricted Net Assets - Includes amounts that have no external restrictions on their use or purpose. The Board of Directors can authorize use of these funds as it desires to carry on the purpose of the Agency according to its by-laws.

Temporarily Restricted Net Assets - Includes the portion of the interest in net assets of related party that is other than permanently restricted on the related party's financial statements and represents resources that are either temporarily restricted by the donor or are not available for immediate use by the Agency until they are transferred by the related party.

Permanently Restricted Net Assets - Includes the portion of the interest in net assets of related party that are permanently restricted on the related party's financial statements and represent donor stipulations to maintain donated amounts in perpetuity.

**WILDWOOD PROGRAMS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Agency considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

The Agency uses the direct write-off method of accounting for bad debts. Bad debt expense was \$29,687 and \$4,894 for the years ended June 30, 2008 and 2007, respectively.

Property, Plant and Equipment

Property, plant and equipment are stated at cost or at their estimated fair values at date of donation less accumulated depreciation. Depreciation is provided using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Land improvements	2-25
Buildings and Improvements	5-25
Equipment	5-10

Additions and betterments are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Deferred Charges

Deferred financing costs consist of bond closing costs incurred on the Agency's various bonded mortgages. These costs are being amortized on a straight-line basis over the terms of the obligations. Amortization expense was \$56,838 and \$44,648 for the years ended June 30, 2008 and 2007, respectively. Amortization expense is expected to be approximately \$57,000 in each of the next five years.

Deferred Revenue

Deferred revenue represents funds received for which the Agency has not fulfilled their obligation to recognize them as revenue. Services will be provided in future periods and any remaining amounts will be recouped by funding sources.

Fair Value of Financial Instruments

Financial instruments include cash, debt and an interest rate swap agreement. The carrying amount of cash approximates fair value and the carrying amount of debt approximates fair value based on current rates at which the Agency's could borrow funds with similar remaining maturities. The fair value of the interest rate swap agreement is based on the amount the Agency would have to pay to terminate the swap agreement at June 30, 2008.

**WILDWOOD PROGRAMS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Income Tax Status

The Agency is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Agency qualifies for charitable contribution deductions and has been classified as an organization other than a private foundation.

Allocation of Expenses

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services using specific allocation methods. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Agency.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

3. INVESTMENTS

Investments consist of marketable equity and debt securities carried at fair value based on readily determinable quoted market prices and consist of the following:

	2008		2007	
	Cost	Fair Value	Cost	Fair Value
Equities	\$ 110,362	\$ 113,529	\$ 5,686	\$ 23,290
U.S. Government obligations	206,088	337,119	143,179	246,025
Money Markets	34,172	34,172	1,828	1,828
Total Investments	<u>\$ 350,622</u>	<u>\$ 484,820</u>	<u>\$ 150,693</u>	<u>\$ 271,143</u>

The following schedule summarizes the investment income in the statement of activities for the year ended June 30:

	2008	2007
Interest and dividend income	\$ 98,561	\$ 107,810
Net realized and unrealized gain on investments	51,862	21,861
Total Return on Investments	<u>\$ 150,423</u>	<u>\$ 129,671</u>

8.

**WILDWOOD PROGRAMS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, consists of the following:

	2008	2007
Land	\$ 932,700	\$ 925,600
Land improvements	855,093	814,017
Building	10,372,722	10,245,861
Building improvements	9,462,095	1,901,799
Equipment	2,754,070	2,665,034
Construction in progress	-	5,066,269
Total	24,376,680	21,618,580
Less: Accumulated depreciation	8,541,733	7,681,518
Net, Property, Plant and Equipment	<u>\$ 15,834,947</u>	<u>\$ 13,937,062</u>

Depreciation expense was \$1,104,701 and \$841,723 for the years ended June 30, 2008 and 2007, respectively.

5. DEBT SERVICE RESERVES AND RESTRICTED DEPOSITS

The debt service reserve represents deposits held by the Trustees of the Dormitory Authority (DA) and Albany County Industrial Developmental Agency (AIDA). These deposits will be used to satisfy the last payments required on mortgages held by the DA and the AIDA or can be used prior to that time to pay amounts that are in default. The reserve fund earns interest which is used to reduce the payment obligation under the mortgages. Total debt service reserves were \$523,581 and \$527,511 at June 30, 2008 and 2007, respectively.

Restricted deposits represent amounts held in banks or held by the Trustees of the Town of Guilderland Industrial Development Agency (GIDA). These amounts are to be used to pay for certain capital projects and the payment of certain outstanding long-term debt (see also Note 8.) Restricted deposits were \$71,481 and \$10,278,917 at June 30, 2008 and 2007, respectively.

9.

**WILDWOOD PROGRAMS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

6. LINES OF CREDIT

The Agency has the following lines of credit:

	<u>2008</u>	<u>2007</u>
\$750,000 unsecured line of credit with KeyBank to be drawn upon as needed for real estate at a rate of 5.50% expiring December 31, 2008. The line is guaranteed by The Wildwood Foundation.	\$ 348,080	\$ 350,000
\$500,000 unsecured line of credit with Citizens Bank, N.A. to be drawn upon as needed for real estate at a rate of prime expiring January 30, 2009. The line is guaranteed by The Wildwood Foundation.	-	500,000
\$500,000 unsecured line of credit with KeyBank to be drawn upon as needed at a rate of 7.75% expiring December 31, 2008. The line is guaranteed by The Wildwood Foundation.	-	-
\$750,000 unsecured line of credit with Citizens Bank, N.A. to be drawn upon as needed at a rate of prime expiring January 30, 2009. The line is guaranteed by The Wildwood Foundation.	-	-
Total Lines of Credit	<u>\$ 348,080</u>	<u>\$ 850,000</u>

7. LEASES

The Agency leases office space under operating leases expiring in 2017.

Minimum future rental payments under non-cancelable operating leases having remaining terms in excess of one year as of June 30, 2008 for each of the next five years and in the aggregate are:

<u>Year Ended June 30</u>	<u>Amount</u>
2009	\$ 211,020
2010	203,536
2011	161,491
2012	172,994
2013	176,698
Thereafter	734,088

Rental expense included in the statement of activities was \$569,243 and \$603,494 for the years ended June 30, 2008 and 2007, respectively.

**WILDWOOD PROGRAMS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

8. BONDS AND OTHER NOTES PAYABLE

	<u>2008</u>	<u>2007</u>
1996 Insured Revenue Bonds, issued through the Dormitory Authority of the State of New York. Bonds are net of unamortized discount of \$14,993 at June 30, 2007. Bonds were payable in various increments through July 1, 2015. Interest payments were due July 1 and January 1 each year at rates from 5% to 5.875%, depending on the maturity date of the particular bond. The bonds were secured by the pledge and assignment of revenue; the reserve funds established under the bond; a security interest in certain fixtures, furnishings and equipment; and a mortgage on property located in Guilderland, New York. The bond was also insured by a municipal bond insurance policy.*	\$ -	\$ 2,455,000
2003 Insured Revenue Bonds, issued through the Dormitory Authority of the State of New York, under its New York State Rehabilitation Associated Pooled Loan Program No. 2, consisting of two issues, Series 2003A (non-taxable) and 2003B (federally taxable). Several not-for-profit corporations received varying portions of the bond issue proceeds. Each corporation's liability is limited to its allocable portion of the unpaid principal amount of the outstanding bonds. The bonds are secured by the pledge of revenues, subject to prior pledges and the reserve funds established under the bond. The bond is also secured by two financial guaranty insurance policies. Bonds are payable in various increments through July 1, 2019. Interest rates vary from 3.00% to 5.25%, depending on the maturity date of the particular bond. Payments by the participating corporations are due monthly. The loan agreements also contain various covenants, including a debt service coverage ratio. The Agency was in compliance with the covenants as of June 30, 2008.	719,999	799,999
2006 Insured Revenue Bonds with the Albany County Industrial Development Agency, issued through the Bank of New York, under Special Needs Facility Pooled Program, consisting of two issues, Series 2006K-1 (non-taxable) and Series 2005K-2 (federally taxable). The bonds are secured by the mortgaged property located in Colonie, New York; a security interest in certain fixtures, furnishings and equipment. The bond is also secured by financial guaranty insurance policies. Bonds are payable in various increments through July 1, 2026. Interest rates range from 4.8% - 5%. Payments are due semi-annually on January and July 1.	3,490,000	3,605,000

**WILDWOOD PROGRAMS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

8. BONDS AND OTHER NOTES PAYABLE

	<u>2008</u>	<u>2007</u>
Vehicle and equipment loans payable to various financial institutions at interest rates ranging from 0.9% to 7.375%, secured by equipment. Monthly payments range from \$319 to \$702 and are applied first to interest and then to principal. The loans have maturity dates through June 2012.	\$ 634,623	\$ 599,775
2007 Insured Revenue Bonds with the Guilderland Industrial Development Agency, issued through Bank of New York, under the Multi-Mode Variable Rate Civic Facility Program, consists of four issues. The bonds are secured by the land and building located in Guilderland, New York; a security interest in certain fixtures, furnishings and equipment. The bond is also secured by financial guaranty insurance policies. Bonds are payable in various increments through July 1, 2032. Interest rates range between 3.78%-4.135%. Payments are due annually on July 1.*	9,780,000	9,780,000
Community Preservation Corporation Mortgage, fixed interest rate of 6.05%, monthly payments of \$5,841 through October 2019, secured by buildings.	763,535	799,186
Facilities Improvement Revenue Bond, secured by land and building located in Guilderland, New York. Further secured by all personal property and accounts receivable and the proceeds thereof, with respect to the property. Payable in semi-annual installments of \$19,067, which include interest at 5.15% and an administrative fee of approximately \$575, and are due every February 15 and August 15, through August 15, 2009.	<u>19,250</u>	<u>62,450</u>
Total Bonds and Other Notes Payable	<u>\$ 15,407,407</u>	<u>\$ 18,101,410</u>

Maturities of bonds and other notes payable are as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2009	\$ 1,142,901
2010	1,037,310
2011	1,091,172
2012	1,002,689
2013	1,001,147

Interest expense was \$805,120 and \$580,047 for the years ended June 30, 2008 and 2007, respectively.

**WILDWOOD PROGRAMS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

8. BONDS AND OTHER NOTES PAYABLE

*On June 29, 2007 the Agency closed on the financing of the 2007 Series A Civic Facility Revenue Bonds issued by the Town of Guilderland Industrial Development Agency principally to finance ongoing construction, with the first payment due on July 1, 2008. Included in this closing were monies to repay the outstanding balance of the 1996 Insured Revenue Bonds, issued through the Dormitory Authority of the State of New York. At June 30, 2007, the monies received to repay the 1996 Insured Revenue Bonds remained in the debt service reserve and restricted deposits (See Note 5). The 1996 Insured Revenue Bonds were paid in full during the 2008 fiscal year.

The Agency has also agreed to a number of covenants including a fixed charge coverage ratio of 1:1. At June 30, 2008 the Agency met the debt covenant requirements.

9. INTEREST RATE SWAP AGREEMENT

Wildwood Programs, Inc. entered into an interest rate swap agreement (the Swap) in order to reduce the impact of changes in interest rates on its on the Variable Rate Demand Civic Facility Revenue Bonds, issued by the Guilderland Industrial Development Agency. The Swap qualifies as a hedge under generally accepted accounting principles. Wildwood has assumed no ineffectiveness in the Swap as, among other things, the notional amount of the Swap is for \$6,295,000 which is comprised of two separate swap agreements, one for \$4,895,000 at a fixed interest rate of 4.135% that matures on July 1, 2032 and the other for \$2,055,000 at a fixed interest rate of 3.965% that matures on July 1, 2015. The total amount of the Swap is for \$3,485,000 less than the principal amount of the revenue bonds. Changes in the fair value of the Swap are accounted for as change in fair value of swap contract in the accompanying Statement of Activities.

10. PENSION PLAN

The Agency maintains a noncontributory, defined contribution retirement plan which covers all full- or part-time employees who meet certain minimum hours of service requirements. In addition, employees must complete one year of service by January 1 to qualify for employer contributions during that year.

The Agency's contributions to the plan range from 4% to 10%, based on the employee's years of service, and are based on wages earned during the calendar year for qualifying employees. The contributions are deposited into a tax-deferred annuity, which is administered in compliance with the Employee Retirement Income Security Act of 1974 (ERISA). The Agency's pension expense was \$750,676 and \$714,732 for the years ended June 30, 2008 and 2007, respectively.

11. AFFILIATED CORPORATIONS

The Agency is related to The Wildwood Foundation (the Foundation) and Wildwood Family Corporation (WFC) in that Wildwood Family Corporation is the sole member of the Foundation and the Agency.

**WILDWOOD PROGRAMS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

11. AFFILIATED CORPORATIONS

The Foundation is a not-for-profit corporation which began operations July 1, 1998 and whose charitable purpose is supporting and assisting WFC and the Agency. The Foundation is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. As a supporting organization, the Foundation has taken over various fund-raising activities and special events that were previously carried on by the Agency.

WFC is a not-for-profit corporation founded in 1998 to operate exclusively for the charitable purpose of supporting and strengthening the charitable mission of the Agency and the Foundation. WFC is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code.

During the years ended June 30, 2008 and 2007, the following transactions occurred between the Agency and the Foundation:

The Foundation donated \$1,214,849 and \$171,241, respectively to the Agency. This amount is included in contributions on the Statement of Activities.

The Agency charged administrative fees of \$15,939 and \$13,601, respectively to the Foundation. The fees are included in consulting fees and conferences.

The Foundation was owed \$50,299 and the Agency was owed \$15,507 as of June 30, 2008 and 2007, respectively.

12. POSTRETIREMENT HEALTH CARE BENEFITS

The Agency sponsors a defined benefit retirement health care benefit plan covering substantially all employees. The Plan's effective date was January 1, 2002. The Plan's measurement date is July 1. Results of the valuation are projected forward to the end of the year for the financial statement disclosure as of June 30, 2008. The Agency's funding policy is to contribute annually based upon medical premiums due under the Plan. The contribution to the Plan and the benefits paid, were \$4,034 and \$1,367 for the years ended June 30, 2008 and 2007, respectively.

The following sets forth the amount measured and shown in accordance with Statement of Financial Accounting Standards Number 158, *Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans* at June 30:

	<u>2008</u>	<u>2007</u>
Accumulated postretirement benefit obligation (APBO):		
Accumulated postretirement benefit obligation	\$ 493,924	\$ 431,150
Fair value of plan assets		
Unfunded Status	<u>\$ 493,924</u>	<u>\$ 431,150</u>

**WILDWOOD PROGRAMS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

12. POSTRETIREMENT HEALTH CARE BENEFITS

	<u>2008</u>	<u>2007</u>
Amounts recognized in the statement of financial position consist of:		
Postretirement Health Liability	<u>\$ 493,924</u>	<u>\$ 431,150</u>
Weighted average assumptions as of June 30		
Discount rate *	<u>5.75%</u>	<u>5.75%</u>
Rate of compensation increase	<u>3.00%</u>	<u>3.00%</u>
Net Periodic Benefit Cost (see components below)	<u>\$ 70,842</u>	<u>\$ 34,978</u>
Employer Contributions and Benefits Paid	<u>\$ 8,068</u>	<u>\$ 1,367</u>

*The weighted-average discount rate used in determining the accumulated postretirement benefit obligation when the last actuarial valuation was done for the 2002 fiscal year was 7.5% for the years ended June 30, 2007.

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

	<u>One Percentage Point</u>	
	<u>Increase</u>	<u>Decrease</u>
Effect on total of service and interest cost components	\$ 535	\$ 437
Effect on postretirement benefit obligation	1,394	1,005

The Agency's postretirement health care benefit plan obligation is unfunded. The Agency expects to pay benefits, and therefore make contributions in each of the next five years as follows:

2009	\$ 110,600
2010	130,100
2011	167,400
2012	152,600
2013	135,100

The postretirement health care benefits cost includes the following components for the year ended June 30:

	<u>2008</u>	<u>2007</u>
Service cost	\$ 46,283	\$ 16,298
Interest on APBO less interest on expected benefit payments	<u>24,559</u>	<u>18,680</u>
Accrued Health Care Benefit Cost	<u>\$ 70,842</u>	<u>\$ 34,978</u>

**WILDWOOD PROGRAMS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

**WILDWOOD PROGRAMS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

12. POSTRETIREMENT HEALTH CARE BENEFITS

For measurement purposes, the actuarial calculation performed for the period ending June 30, 2008 assumed an 8% annual rate of increase in per capita cost of covered health care benefits, the calculation for the period ending June 30, 2007 assumed an 8.5% annual rate of increase in per capita cost of covered health care benefits. The rate was assumed to decrease gradually to 5.5% over a six-year period based on the June 30, 2008 actuarial calculation and was assumed to decrease gradually to 5.0% to 2011 per the June 30, 2008 actuarial calculation and remain at that level thereafter. The health care benefits cost trend rate assumption has a significant effect on the amounts reported. Because the assumptions used can differ substantially from actual results, it is at least reasonably possible that these significant estimates will change within the next year.

On December 8, 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act) was signed into law. The Act introduces a prescription drug benefit under Medicare (Medicare Part D) as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. To date, detailed regulations necessary to implement the Act have not been issued. In addition, current accounting standards do not provide sufficient guidance on how to account for the federal subsidy contained within this Act. In response, the FASB issued FASB Staff Position 106-1, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (FSP 106-1)". FSP 106-1 permits a sponsor of a postretirement health care plan that provides a prescription drug benefit to make a one-time election to defer accounting for the effects of the Act until such time authoritative guidance is issued by the FASB on how to account for the federal subsidy. The Agency has not evaluated the impact of this Act on its expense and has elected to defer the accounting for the effects of the Act as permitted by FSP 106-1. Therefore, the accumulated postretirement benefit obligation and net periodic postretirement benefit cost presented in the financial statements do not include the effects of the Act on the plan. Authoritative guidance on accounting for the Act's federal subsidy is pending and that guidance, when issued, could require changes to previously reported information.

13. CONCENTRATIONS

The Agency maintains cash balances at various financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At June 30, 2008, the Agency's uninsured cash balances were approximately \$3,099,000.

Approximately 86% of Agency's financing is with County of Albany Industrial Development Agency and the Guilderland Industrial Development Agency.

14. CONTINGENCIES

Personal Allowance Accounts

The Agency is the custodian of clients' personal allowance funds. OMRDD regulations provide for the use of these funds for authorized and allowable purchases for consumer personal items. Those regulations prohibit the Agency from using or commingling these funds with any of their accounts. As the Agency has no legal right to these funds they have not been reflected in the Agency's financial statements

14. CONTINGENCIES

Medicaid and Service Fees

An internal evaluation of certain service documentation under Medicaid and similar state funded programs disclosed a number of instances where New York State documentation standards were not met. As a result, the Agency reported the matter to the New York State Office of Mental Retardation and Developmental Disabilities, consulted legal counsel and estimated the potential loss to be \$600,000, which is included in deferred revenue in the June 30, 2008 financial statements. \$300,000 has been recognized in the accompanying financial statements as a reduction to program support and revenue for each of the years ended June 30, 2008 and 2007. It is at least reasonably possible that the estimate of the potential loss could change in the near term.

15. RISKS AND UNCERTAINTIES

The Agency invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and, that such changes could materially affect the amounts reported in the statement of financial position.

16. RESTATED FINANCIAL STATEMENTS

The 2007 financial statements did not reflect the postretirement health care benefit in accordance with FASB No. 158. During 2008 the Agency had an actuarial valuation of their postretirement health care benefit performed. As a result, the 2007 financial statements have been restated to reflect additional liabilities of \$43,878. The 2007 statement of activities reflects a corresponding effect of adoption of FASB No. 158.

**WILDWOOD PROGRAMS, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Wildwood Programs</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$ 14,610,327	\$ 1,252,196	\$ 15,862,523
Employee benefits	4,677,787	339,151	5,016,938
Total Salaries and Employee Benefits	<u>19,288,114</u>	<u>1,591,347</u>	<u>20,879,461</u>
Supplies	1,466,878	65,105	1,531,983
Transportation	1,326,960	3,705	1,330,665
Occupancy	569,243	-	569,243
Professional fees and contract service payments	212,609	78,674	291,283
Interest	759,845	45,240	805,085
Utilities	445,307	17,246	462,553
Repairs and maintenance	357,432	11,725	369,157
Conferences, convention and meetings	119,924	37,334	157,318
Insurance	197,180	1,284	198,444
Telephone	133,984	(710)	133,274
Postage and shipping	14,473	10,934	25,407
Rental of equipment	4,271	739	5,010
Bad debts	29,687	-	29,687
Printing and publications	2,804	12,960	15,764
Depreciation and amortization	1,119,909	41,630	1,161,539
Loss on disposal	290	-	290
Total Expenses	<u>\$ 26,048,910</u>	<u>\$ 1,917,253</u>	<u>\$ 27,966,163</u>

**WILDWOOD PROGRAMS, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Wildwood Programs</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$ 13,688,241	\$ 1,131,144	\$ 14,819,385
Employee benefits	4,280,243	299,202	4,579,445
Total Salaries and Employee Benefits	<u>17,968,484</u>	<u>1,430,346</u>	<u>19,398,830</u>
Supplies	1,426,082	50,497	1,476,579
Transportation	1,074,977	3,229	1,078,206
Occupancy	603,494	-	603,494
Professional fees and contract service payments	270,593	52,159	322,752
Interest	563,138	16,909	580,047
Utilities	376,988	12,881	389,869
Repairs and maintenance	344,816	9,256	354,072
Conferences, convention and meetings	169,857	24,320	194,177
Insurance	155,173	363	155,536
Telephone	114,806	3,954	118,760
Postage and shipping	14,981	9,897	24,878
Rental of equipment	5,702	866	6,568
Bad debts	4,894	-	4,894
Printing and publications	766	6,068	6,834
Depreciation and amortization	872,797	13,574	886,371
Total Expenses	<u>\$ 23,967,548</u>	<u>\$ 1,634,319</u>	<u>\$ 25,601,867</u>

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APPENDIX C-I

LIFESPIRE, INC.

UNAUDITED FINANCIAL INFORMATION

FOR THE PERIOD FROM JULY 1, 2010 THROUGH MAY 31, 2011

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LIFESPIRE, INC.
STATEMENT OF FINANCIAL POSITION
May 31, 2011
(Unaudited)

Assets

Cash and Cash Equivalents	19,674,529
Investments	2,774,595
Accounts Receivable - Net	955,019
Accrued Income Receivables	18,310,496
Note Receivable from Related Party	140,203
Security Deposits and Prepaid Expenses	1,261,769
Assets Restricted to investment in Property, Plant and Equip.	9,474,217
Property, Plant and Equipment - Net	20,714,876
Deferred Charges - Bond Issue Costs-Net	1,307,825

Total Assets	<u>74,613,529</u>
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Liabilities and Net Assets

Liabilities

Accounts Payable and Accrued Expenses	13,673,643
Accrued Payroll	3,624,207
Accrued Compensated Absences	2,689,201
Recoupments Payable	4,995,308
Deferred Income	2,281,471
Due to Funding Sources	243,685
Mortgages Payable - DASNY	3,723,765
Underfunded Pension Obligation	9,066,853
Underfunded Health Insurance Obligation	4,098,016
Notes Payable	1,172,919
Bonds Payable - DASNY	5,655,000
Bonds Payable IDA	10,125,000

Total Liabilities	<u>61,349,068</u>
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Net Assets:

Unrestricted – Undesignated	7,937,545
Unrestricted - Board Designated	1,093,486
Unrestricted - Related Party Receivable	900,715
Unrestricted - Property, Plant and Equip	3,287,785
Total Unrestricted Net Assets	<u>13,219,531</u>
Temporarily restricted	44,930
Total Net Assets	<u>13,264,461</u>

Total Liabilities and Net Assets	<u>74,613,529</u>
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LIFESPIRE, INC.
STATEMENT OF ACTIVITIES
PERIOD ENDED 5/31/2011
(Unaudited)

Support and Revenue - Program Operations:	
Program Service Fees	91,070,235
Participant's Share of Room and Board	1,998,586
Subcontract - Net	440,707
<hr/>	
Subtotal Support and Revenue - Program Operations	<u>93,509,528</u>
Expenses:	
Program Services	88,481,930
Management and Administration	5,653,162
<hr/>	
Total Expenses	<u>94,135,092</u>
Change in unrestricted net assets before other revenue and prior year revenue	<u>-625,564</u>
Other Revenue	
Interest Income	53,696
Contributions and Fund Raising	31,822
Unrealized loss on investments	-10,523
Miscellaneous	384,661
<hr/>	
Total other revenue	<u>459,656</u>
Changes in unrestricted net assets before prior period revenue	<u>-165,908</u>
Prior Period Revenue	414,557
<hr/>	
Increase in urestricted net assets	<u>248,650</u>
Net Assets, Beginning of the Period	<u>13,015,812</u>
<hr/>	
Net Assets, End of the Period	<u>13,264,462</u>

APPENDIX C-II

PAUL J. COOPER CENTER FOR HUMAN SERVICES, INC.

UNAUDITED FINANCIAL INFORMATION

FOR THE PERIOD FROM JULY 1, 2010 THROUGH MAY 31, 2011

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Paul J Cooper CHS - Current Data
Balance Sheet
As of Date: 5/31/2011

	Current Year
Assets	
Current Assets	
Cash - Bk of America Group R.	72,383.00
Cash - Bk of America Mental He	3,096.25
Cash - Bk of America Chemical	1,048.09
Cash - Social Security Funds	(3,324.41)
Cash - Fundraising	3,588.50
Cash - BOA Savings Acct	11,223.48
Cash - Bank of America Payroll	46,781.18
Chase - Food & Nutrition Servi	1,186.20
Cash - M&T Bank	502.25
Petty Cash Account	5,000.00
Petty Cash - Metrocards	22,527.00
Medicaid Receivables	1,184,180.20
Due from employee	(3,084.78)
Due from Banks	1,950.00
Due From Vendor	425.48
Total Current Assets	1,347,482.44
Fixed Assets	
Building - 129 East 96th St	447,215.76
Accum. Depr. - 129 East 96th	(69,750.07)
Building - Improvements	203,048.83
Accum. Depr. - Building Improv	(111,917.29)
Motor Vehicles	112,377.74
Accum. Depr. - Motor Vehicles	(111,834.92)
Building- 329 Vernon Avenue	754,308.99
Accum. Depr. - 329 Vernon	(128,003.68)
Building - 368 Ashford Street	1,397,904.14
Accum. Depr - 368 Ashford	(168,837.07)
Building - 510 Gates Avenue	5,476,995.31
Leasehold Improvements	178,796.54
Accum Depr.- Leasehold Improv	(126,506.91)
Furniture & Equipment	128,753.71
Accum. Depr- Furniture. & Equi	(87,573.44)
Total Fixed Assets	7,894,977.64
Other Assets	
Security Deposits	115,334.56
Total Other Assets	115,334.56
Total Assets	9,357,794.64

Liabilities & Net Assets

Liabilities

Current Liabilities

Accounts Payable - Main	1,205,767.08
Accrued Salaries	145,927.99
Accrued Vacation	271,786.79
FICA Tax Payable	0.40
FW Tax Payable	540.00
NYC Tax Payable	(446.31)
Saving Plan Payable - Pension	540.38
Annuity with Payable- AFLAC	(452.34)
Insurance - Accident - AFLAC	461.71
Union Dues With Payable	3,069.70
Garnishment - Dept of Taxation	(463.12)
Insurance - Security Mutual	101.20
MOA - Loan Repayment	385.94
Staff Legal Services	110.55
Security Deposit Payable	8,000.34

Total Current Liabilities 1,635,330.31

Long Term Liabilities

Due To D.M.H.	134,824.00
Due To OMRDD - IRA	116,623.53
Due To NYSOMH - COPS	601,033.90
Mortgage Payable - Vernon Prop	440,192.02
510 Gates Ave. Inc. - Mortgage	5,000,000.00
Mortgage Payable - Ashford st	523,779.49
Loan Payable- 368 Ashford	70,476.16
Mortgage Payable - Ashford 600	549,865.03
Loan Payable 129 East 96th S	25,000.00
Due To Payroll	(3,945.05)

Total Long Term Liabilities 7,457,849.08

Total Liabilities 9,093,179.39

Net Assets

FUND BALANCE 264,615.25

Total Net Assets 264,615.25

Total Liabilities & Net Assets 9,357,794.64

Paul J Cooper CHS - Current Data
Statement of Revenue and Expense
Current Period: 7/1/2010 - 5/31/2011
Year-to-Date: 7/1/2010 - 5/31/2011

	Current Year Current Period	Current Year Year-to-Date	Prior Year Current Period	Prior Year Year-to-Date
Revenue				
MSC Income	98,452.32	98,452.32	83,969.55	83,969.55
Medicaid Revenue	4,258,565.30	4,258,565.30	4,136,592.48	4,136,592.48
Health Care Enhancement	0.00	0.00	218,961.03	218,961.03
Peer to Peer - Revenue	99,198.86	99,198.86	59,252.26	59,252.26
Recoupments	(700,802.00)	(700,802.00)	(165,257.21)	(165,257.21)
Food Stamp Program Revenue	63,600.00	63,600.00	68,366.00	68,366.00
Interest Revenue	215.19	215.19	1,414.41	1,414.41
Contribution Revenue	4,247.69	4,247.69	375.54	375.54
Federal Grant Revenue	12,640.00	12,640.00	27,183.20	27,183.20
Miscellaneous Revenue	5,608.80	5,608.80	485.67	485.67
Rental Revenue	12,045.34	12,045.34	0.00	0.00
Soc. Sec. Revenue	480,024.09	480,024.09	397,434.33	397,434.33
Third Party Payor Revenue	190,827.37	190,827.37	201,881.26	201,881.26
IRA Room & Board Revenue	343,750.23	343,750.23	245,254.72	245,254.72
IRA Revenue	3,039,459.44	3,039,459.44	2,945,873.06	2,945,873.06
Transportation Revenue	84,523.15	84,523.15	83,511.25	83,511.25
Self Pay Fees Revenue	15,470.00	15,470.00	23,753.95	23,753.95
Wage Subsidy Revenue	30,319.33	30,319.33	52,762.06	52,762.06
Fundraising Income - Annual Di	27,433.00	27,433.00	42,400.00	42,400.00
Soda Machine Revenue	481.00	481.00	797.00	797.00
Prior Year Adjustments	6,456.16	6,456.16	(72,783.51)	(72,783.51)
Other Revenue	438.47	438.47	0.00	0.00
Administration Allocation Fees	1,233,909.30	1,233,909.30	1,109,805.92	1,109,805.92
Total Revenue	9,306,863.04	9,306,863.04	9,462,032.97	9,462,032.97
Expenses				
Administrative Salaries	409,714.43	409,714.43	356,513.18	356,513.18
Program Salaries	315,926.11	315,926.11	330,255.92	330,255.92
Direct Care Salaries	2,337,613.44	2,337,613.44	2,136,950.83	2,136,950.83
Clinical Salaries	923,887.17	923,887.17	906,412.98	906,412.98
Support Salaries	292,052.98	292,052.98	269,659.82	269,659.82
Salary Accruals - End of Month	145,927.99	145,927.99	126,542.18	126,542.18
Metropolitan Commuter Mobility	11,280.75	11,280.75	9,621.34	9,621.34
Fica Expense	323,806.05	323,806.05	304,267.00	304,267.00
State Unemp Insurance	71,111.36	71,111.36	65,791.94	65,791.94
Disability\ Life Ins.	21,729.99	21,729.99	24,155.56	24,155.56
Workers Compensation	14,833.47	14,833.47	92,310.74	92,310.74
Health Insurance Premium	623,120.73	623,120.73	542,235.92	542,235.92
Pension Plan Expense	41,437.05	41,437.05	40,998.18	40,998.18
Audit & Legal Expense	54,613.71	54,613.71	79,360.24	79,360.24
Dues, Permits and Registration	44,050.71	44,050.71	37,202.11	37,202.11
Food Supplies	189,157.24	189,157.24	194,977.40	194,977.40
Repairs & Maintenance	90,270.69	90,270.69	77,876.69	77,876.69
Utilities	217,350.40	217,350.40	166,336.88	166,336.88
Client Travel	50,082.10	50,082.10	81,542.74	81,542.74
Staff Travel	39,431.92	39,431.92	36,075.24	36,075.24
Client Incidentals	85,700.05	85,700.05	58,647.02	58,647.02
Client Personal Allowance	58,663.00	58,663.00	58,663.00	58,663.00
Equipment Expense	2,800.78	2,800.78	12,708.18	12,708.18
Staff Development	35,862.77	35,862.77	17,014.38	17,014.38
Consultants	492,387.83	492,387.83	543,422.77	543,422.77
Purchase of Services	5,040.00	5,040.00	0.00	0.00
Supp. & Mater - Non Househ	0.00	0.00	77.29	77.29
Medical Supplies	67,867.65	67,867.65	33,627.81	33,627.81
Housekeeping Supplies	96,998.37	96,998.37	77,520.47	77,520.47
Telephone Expense	78,018.36	78,018.36	59,582.31	59,582.31
Alarm System	21,550.92	21,550.92	20,177.64	20,177.64
Insurance - General	129,217.60	129,217.60	101,878.62	101,878.62
Day training expense	96.88	96.88	0.00	0.00
Office Expense	106,534.11	106,534.11	72,798.52	72,798.52
Bank Charges	11,448.25	11,448.25	8,184.11	8,184.11
Payroll & Data Processing Expe	34,123.23	34,123.23	30,062.39	30,062.39
Special Event -	46,096.38	46,096.38	58,798.58	58,798.58
Lease Rental - Real Property	636,456.34	636,456.34	596,026.78	596,026.78
Lease/Rentals - Vehicles	2,607.55	2,607.55	19,958.79	19,958.79
Lease/ Rentals - Equipments	14,141.32	14,141.32	18,249.72	18,249.72
Depreciation - Buildings	85,763.59	85,763.59	85,339.68	85,339.68
Depreciation - Vehicles	2,528.68	2,528.68	2,528.68	2,528.68
Depreciation - Furn & Equip	16,772.58	16,772.58	16,772.58	16,772.58
Amortization - Leasehold Impr	12,425.93	12,425.93	12,426.48	12,426.48
Real Estate Taxes	2,498.16	2,498.16	7,042.45	7,042.45
Mortgage Interest	125,934.98	125,934.98	121,472.11	121,472.11
Allocated Administrative Fees	1,233,909.30	1,233,909.30	1,109,805.92	1,109,805.92
Pending Distribution	(43.00)	(43.00)	0.00	0.00
Total Expenses	9,622,799.90	9,622,799.90	9,021,873.17	9,021,873.17
Excess or (Deficiency) of Revenue Over Expenses	(315,936.86)	(315,936.86)	440,159.80	440,159.80

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APPENDIX C-III

WILDWOOD PROGRAMS, INC.

UNAUDITED FINANCIAL INFORMATION

FOR THE PERIOD FROM JULY 1, 2010 THROUGH MAY 31, 2011

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A. Wildwood Programs Current Operations. Please note that I have subtracted Capital Campaign, prior period (retroactive) funds, and the funding on the BTOP grant to analyze the result of current operations. The equipment for the BTOP grant will be depreciated over a number of years while the income was booked this year.

Wildwood Programs	Actual	Budget	Variance	% Variance
Income	28,962,341	28,376,331	586,011	2.07%
Adjust for Cap Camp	33,303	0	33,303	
Adjust for Retro Funds	45,061	0	45,061	
Adjust for BTOP Grant	487,472	0	487,472	
Net Inc. Current Operations	28,396,506	28,376,331	20,175	0.07%
Salary	15,750,531	15,542,683	207,847	1.34%
Fringe	5,900,113	5,880,571	19,542	0.33%
Depreciation	1,124,451	1,215,367	-90,917	-7.48%
Occupancy	2,075,977	2,112,619	-36,642	-1.73%
Office Expenses	202,909	257,105	-54,197	-21.08%
Purchase Service	79,101	151,075	-71,975	-47.64%
Travel & Training	1,753,471	1,924,328	-170,857	-8.88%
Operating Expense	1,263,209	1,368,309	-105,100	-7.68%
Insurance	149,618	184,779	-35,160	-19.03%
Total Expenses	28,299,378	28,636,836	-337,458	-1.18%
Net Income	662,963	(260,506)		
Adj. Net Income (Deficit)	97,128	(260,506)	357,633	
current operations after adjustments				

B. Income and Expenses: We had a great month in May. Our adjusted net income is now greater than budget and our expenses are down significantly. I have added offsets in the income portion to give us a more accurate picture of current operations. We are doing well and generating a surplus at this pint in time instead of a deficit.

C. Programs Income & Expense History: We continue to be in better shape than last few years. The programs have done a very good job in controlling expenses.

	May-11	May-10	May-09	May-08	May-07	May-06	May-05
Adjust. Inc.	28,396,506	27,881,005	26,363,956	25,399,132	23,459,353	20,963,460	18,454,959
Expense	28,299,378	27,908,365	26,633,051	25,478,229	23,212,784	20,746,265	18,884,028
Net Income	97,128	(27,360)	(269,095)	(79,097)	246,569	217,195	(429,069)

D. Balance Sheet:

	May-11	May-10	May-09	May-08	May-07	May-06	May-05
Liquidity Ratio	3.29	3.01	2.51	3.51	3.31	3.37	2.75
Net Working Capital	8,731,853	7,739,957	6,029,939	8,052,026	6,975,110	6,167,607	5,390,797
Solvency Ratio	57.35%	60.01%	61.57%	63.47%	62.02%	54.34%	55.83%
Receivable Collection	48	45	42	50	45	50	59
Fund Balance	12,442,392	11,627,169	11,044,138	10,949,734	7,504,074	6,404,666	6,047,114

Our combined liquidity ratio is 3.29 which is well above the 2.0 looked for by the banks. Programs alone has a 2.20 liquidity ratio and we would like to remain over the 2.0 for programs. The solvency ratio, which is how much of our assets are financed by debt reduced to 57.35%, again almost 3% less than a year ago and 6% less than in 2008. Our receivable collection is at 48 days which is close to our target of 45 days. Our fund balance is significantly higher than a year ago.

F. Foundation Unrestricted Giving.

Annual Giving: We are doing very well compared to past years. Our annual giving is up over \$50,000 from last year.

Annual Giving	Income	Expense	Net	Budget	%	09-10	08-09	07-08
Unrestricted	275,375	181,934	93,441	155,840		40,407	-10,501	-40,938
Temp Restricted	75,490	119	75,371	0		77,811	37,010	53,580
Total Ann Giving	350,865	182,053	168,812	155,840	108.32%	118,218	26,509	12,642

Special Events: We are \$25,000 ahead where we were last year at this time for special events. We are approaching the total we used to have for special events including football for just the two events we currently have.

Special Events	Income	Expense	Net	Budget	%	09-10	08-09	07-08
Garden Show	4,460	7,895	(3,435)	322		(1,978)		
Spring Gala	114,900	66,838	48,062	33,084	1	28,761	36,816	42,420
Football			0	0				22,010
Walk for WW	56,380	45,725	10,655	6,609	2	6,126	27,093	9,667
Total Spec Events	175,740	120,458	55,282	40,015	1	32,909	63,909	74,097

G. Restricted Giving: The three quarters of the fiscal year has been very positive and is very comparable to last year at this time. However, the market has experienced more volatility this quarter and I would expect to see reductions in these funds at year end.

	Income	Exp.	Net	Budget	%	09-10	08-09	07-08
Randi Joan Andersen	10,265	188	10,077	980	1,028.23%	6,645	(6,581)	(1,917)
Spirit of Jeanne	1,361	0	1,361	950	143.26%	927	10,970	0
Renee Beebe	3,905	121	3,784	1,680	225.24%	3,349	(4,364)	(674)
Conover Fund # 1	17,771	528	17,243	1,000	1,724.29%	13,758	(21,383)	0
Ned Pitkin	391,768	31,740	360,028	102,000	352.97%	367,316	(386,103)	(88,019)
General Endowment	55,195	1,311	53,884	11,250	478.97%	35,026	(39,718)	(8,200)
Blackmore	17,285	642	16,643	800	2,080.40%	15,124	(29,160)	(10,132)
Hearst Endowment	30,504	1,013	29,490	0		23,572	(30,491)	95,051
Delmar Family Fund	3,000	0	3,000	0		0		
Amy Thompson	2,291	0	2,291	0		4,430	0	0
Planned Giving	25,854	7,973	17,881	11,872	150.61%	142,435	(35,298)	(10,736)
Total Restricted Funds	559,199	43,517	505,605	129,552	390.27%	612,582	(542,128)	(24,627)

Capital Campaign : We continue to bring contributions. Most of these are from donor advised funds.

	Income	Exp.	Net	Budget	%	09-10	08-09	07-08
Capital Campaign	93,021	1,208	91,813	0		1,346	603,886	1,544,807
Legislative Rep	0	22,917	-22,917	-18,750		-18,750	-18,750	(18,750)

Cash Flow:

Cash flow has continued positive throughout this year. This is primarily a result of programs cutting back on expenses and running more surpluses or smaller deficits than they had in the past. Our residential program has worked hard on containing over time costs this year and as a result is running a surplus in the program for the fiscal year.

I. Rates:

State Education: We have received our school tuition rate and we needed to refund some funds to school districts.

OMRDD: We had anticipated that there would be additional cuts in the range of 3% to 4% the State's next fiscal year. However, the state is not cutting rates across the board but is targeting agencies that have been running larger surpluses in specific programs for larger cuts and agencies that have been running deficits in specific programs for lesser cuts. We have received confirmation from OPWDD that our overall cut will be less than 1% of our total revenue. We have been working these numbers into our budget preparation.

J. Major Concerns: I still have concerns over the long term regarding the state budget and how it will affect our programs in future years. We experienced a number of budget cuts both last year and this year but as long as the revenues to New York State are down, we will face increased reductions in our rates and therefore our revenue. From everything we have heard, there will not be any type of cost of living increase in the school program. There are costs that are rising such as rent, food prices and gasoline. These are challenges when there is no cost of living adjustments and continual revenue reductions. We have done well over the last two years but the challenges will continue to increase.

Wildwood Programs Balance Sheet Comparison 6/27/11

	A	B	C	D	E	F
1	π	May 31, 2011	May 31, 2011	May 31, 2011	May 31, 2010	Apr 30, 2011
2	Assets	Foundation	Programs	Total WW	Total WW	Total WW
3	Operating Cash	195,962	829,650	1,025,612	962,969	1,365,252
4	Property & Plant Funds		479,947	479,947	449,586	519,893
5	Residential Constuction Fund			0	0	0
6	Restricted Funds	1,051,668	1,791,868	2,843,536	2,508,579	2,590,186
7	1996 Bond Restricted Funds		0	0	0	0
8	2003 Bond Restricted Funds		148,176	148,176	157,880	148,176
9	2006 Bond Restricted Funds		372,601	372,601	430,681	372,601
10	2007 Bond Restricted Funds			0	0	0
11	2010 Bond Restricted Funds		43,293			
12	Investments Assets	159,123	23,415	182,538	166,086	182,538
13	Endowment Funds	2,832,102	211,249	3,043,351	2,835,331	3,043,232
15	Cur Due To/From Foundation	-26,119	26,119	0	0	0
18	AccountsReceivables		4,211,063	4,211,063	3,852,501	3,688,941
19	Prepaid Expenses	2,083	233,546	235,630	222,828	256,606
21	Total Current Assets	4,214,818	8,370,927	12,542,453	11,586,440	12,167,424
25	Reconciliation Rate Receivable			0	0	0
26	Loans & Pledges Receivables	1,033,718		1,033,718	1,438,080	1,059,544
27	Total Improved Land Value		2,635,177	2,635,177	2,531,841	2,622,727
28	Total Building Value		21,789,377	21,789,377	21,593,455	21,777,773
29	Total Equipment and Vehicle	10,864	3,313,646	3,324,510	2,843,394	3,324,478
30	Deferred Start Up Costs			0	0	0
31	Accumulated Deprec. & Amort.	(4,519)	(12,196,011)	(12,200,530)	(10,966,251)	-12,097,865
32	Net Fixed Assets	1,040,063	15,542,189	16,582,252	17,440,518	16,686,657
33	Total Assets	5,254,881	23,913,116	29,124,704	29,026,958	28,854,082
34	Liabilities					
35	Accounts Payable		1,223,558	1,223,558	998,530	1,428,218
36	Pension Payable		1,022,913	1,022,913	948,281	920,890
37	Accrued Expenses		1,272,465	1,272,465	1,273,517	1,108,106
38	Maintenace Fund Payable		-3,590	-3,590	127,038	-3,590
39	Debt Service 2003 Fund Payable		45,000	45,000	54,801	45,000
40	Debt Service 2006 Payable		67,500	67,500	146,121	67,500
41	Deferred Revenue	3,500	179,176	182,676	297,777	222,258
42	Grant Deferred Revenue		78	78	419	0
43	Line of Credit		0	0	0	0
44	Line of Credit WW Seasonings				0	
45	Total Current Liabilities	3,500	3,807,100	3,810,600	3,846,483	3,788,381
46	Long Term Payable	30,805	460,858	491,663	683,507	361,663
47	Total Vehicle Loans		287,776	287,776	513,604	305,922
48	1996 Curry Bonds Payable		0	0	0	0
49	Residential Mortgages		1,122,929	1,122,929	1,254,696	1,134,079
50	2006 Bonds Payable Latham		3,111,250	3,111,250	3,245,833	3,122,500
51	2007 Bonds Payable Curry Road		6,430,000	6,430,000	6,980,000	6,430,000
52	2010 Bond Payable		356,667	356,667		358,333
53	2007 SWAP Liability		1,091,427	1,091,427	893,898	1,091,427
54	Total Long Term Liabilities	30,805	12,860,907	12,891,712	13,571,538	12,803,925
55	Total Liabilities	34,305	16,668,006	16,702,312	17,418,021	16,592,307
56	Fund Balance	5,220,576	7,245,110	12,422,392	11,608,937	12,261,775
57	Ratios					
58	Liquidity Ratio		2.20	3.29	3.01	3.21
59	Net Working Capital	4,211,318	4,563,828	8,731,853	7,739,957	8,379,043
60	Solvency Ratio	0.65%	69.70%	57.35%	60.01%	57.50%
61	Receivable Collection		50	48	45	42

Wildwood Programs Balance Sheet Comparison 6/27/11

	A	D	E	G	H	I
1	π	May 31, 2011	May 31, 2010	May 31, 2009	May 31, 2008	May 31, 2007
2	Assets	Total WW	Total WW	Total WW	Total WW	Total WW
3	Operating Cash	1,025,612	962,969	427,479	543,139	929,863
4	Property & Plant Funds	479,947	449,586	552,831	549,237	694,761
5	Residential Constuction Fund	0	0	0	0	21,659
6	Restricted Funds	2,843,536	2,508,579	2,388,525	2,861,738	1,276,902
7	1996 Bond Restricted Funds	0	0	0	0	609,418
8	2003 Bond Restricted Funds	148,176	157,880	144,144	154,078	140,143
9	2006 Bond Restricted Funds	372,601	430,681	368,048	351,686	
10	2007 Bond Restricted Funds	0	0	0	71,418	
11	2010 Bond Restricted Funds					
12	Investments Assets	182,538	166,086	127,960	186,084	188,619
13	Endowment Funds	3,043,351	2,835,331	2,274,257	2,915,473	2,936,065
15	Cur Due To/From Foundation	0	0	0	0	0
18	Accounts Receivables	4,211,063	3,852,501	3,483,526	3,435,776	3,050,694
19	Prepaid Expenses	235,630	222,828	234,203	192,934	143,063
21	Total Current Assets	12,542,453	11,586,440	10,000,972	11,261,562	9,991,187
25	Reconciliation Rate Receivable	0	0	0	0	19,700
26	Loans & Pledges Receivables	1,033,718	1,438,080	1,969,504	1,909,482	1,548,506
27	Total Improved Land Value	2,635,177	2,531,841	2,127,173	1,779,946	1,566,887
28	Total Building Value	21,789,377	21,593,455	21,542,324	21,214,709	11,723,588
29	Total Equipment and Vehicle	3,324,510	2,843,394	2,786,607	2,499,168	2,372,011
30	Deferred Start Up Costs	0	0	0	0	-1,196
31	Accumulated Deprec. & Amort.	(12,200,530)	(10,966,251)	(9,830,070)	(8,695,110)	(7,462,371)
32	Net Fixed Assets	16,582,252	17,440,518	18,595,538	18,708,195	9,767,126
33	Total Assets	29,124,704	29,026,958	28,596,510	29,969,757	19,758,313
34	Liabilities					
35	Accounts Payable	1,223,558	998,530	1,106,933	860,344	1,360,200
36	Pension Payable	1,022,913	948,281	906,264	731,437	670,926
37	Accrued Expenses	1,272,465	1,273,517	974,489	928,897	739,323
38	Maintenace Fund Payable	-3,590	127,038	113,718	100,654	38,660
39	Debt Service 2003 Fund Payable	45,000	54,801	40,000	48,079	37,500
40	Debt Service 2006 Payable	67,500	146,121	62,500	57,500	
41	Deferred Revenue	182,676	297,777	746,419	435,574	111,621
42	Grant Deferred Revenue	78	419	45,710	47,052	57,848
43	Line of Credit	0	0	0	0	0
45	Total Current Liabilities	3,810,600	3,846,483	3,996,033	3,209,536	3,016,077
46	Long Term Payable	491,663	683,507	614,456	359,514	877,296
47	Total Vehicle Loans	287,776	513,604	635,914	634,933	585,159
48	1996 Curry Bonds Payable	0	0	0	0	2,471,667
49	Residential Mortgages	1,122,929	1,254,696	1,375,553	1,536,456	1,690,707
50	2006 Bonds Payable Latham	3,111,250	3,245,833	3,375,417	3,499,583	3,613,333
51	2007 Bonds Payable Curry Road	6,430,000	6,980,000	7,580,000	9,780,000	
52	2010 Bond Payable	356,667				
53	2007 SWAP Liability	1,091,427	893,898	550,467		
54	Total Long Term Liabilities	12,891,712	13,571,538	13,581,339	15,810,487	9,238,162
55	Total Liabilities	16,702,312	17,418,021	17,577,372	19,020,023	12,254,239
56	Fund Balance	12,422,392	11,608,937	11,019,138	10,949,734	7,504,074
57	Ratios					
58	Liquidity Ratio	3.29	3.01	2.50	3.51	3.31
59	Net Working Capital	8,731,853	7,739,957	6,004,939	8,052,026	6,975,110
60	Solvency Ratio	57.35%	60.01%	61.47%	63.46%	62.02%
61	Receivable Collection	48	45	42	50	45

APPENDIX D

CERTAIN DEFINITIONS

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CERTAIN DEFINITIONS

The following are definitions of certain of the terms defined in the Resolution, the Series 2011A Resolution or the Loan Agreements and used in this Official Statement.

Account means each account created and established in any fund under the Resolution as created and established pursuant to the Applicable Series Resolution, including each Project Loan Account and each Debt Service Account.

Accounts Receivable means all of a Participant's accounts receivable derived from the use or operation of any of its properties, including the Project Property, but excluding Pledged Revenues.

Act means the Dormitory Authority Act (being Chapter 524 of the Laws of 1944 of the State, as amended, and constituting Title 4 of Article 8 of the Public Authorities Law), as amended from time to time, including, but not limited to, Chapter 471 of the Laws of 2009, the Health Care Financing Consolidation Act and as incorporated thereby the New York State Medical Care Facilities Finance Act, being Chapter 392 of the Laws of New York 1973, as amended, McKinney's Unconsolidated Laws, Sections 7411 to 7432, inclusive.

Administration Agreement means the Administration Agreement, dated as of August 1, 2011, among the Authority, the Program Facilitator and the Participants.

Allocable Portion means with respect to a Series of Bonds, an Applicable Participant's proportionate share of certain obligations arising under such Series of Bonds from time to time and under the Applicable Loan Agreement, particularly with respect to the Debt Service Reserve Fund Requirement, if any, the Arbitrage Rebate Fund and Costs of Issuance, in each case corresponding to the principal amount of the Applicable Loan made to such Participant by the Authority with proceeds of such Series of Bonds and determined by the Applicable Series Resolution or Applicable Bond Series Certificate; *provided, however*, that with respect to the payment of principal, Sinking Fund Installments and Redemption Price, if any, of and interest on such Series of Bonds, Allocable Portion shall mean that portion of each such payment designated in Exhibit D attached to the Applicable Loan Agreement as being allocable to such Participant, as the same may be adjusted from time to time to reflect any prepayments of the Applicable Loan by or on behalf of such Participant.

Annual Administrative Fee means the annual fee for the general administrative expenses of the Authority in the amount or percentage stated in each of the Loan Agreements relating to the Loans made thereunder.

Applicable means

(i) with respect to a particular Loan or Project referred to in the Resolution, the Loan and the Project established and undertaken with respect to a particular Participant and particular Project as described in a particular Loan Agreement;

(ii) with respect to any Account, the Account established with respect to a particular Participant in connection with such Participant's Allocable Portion of a particular Series of Bonds;

(iii) with respect to any Series Resolution, the Series Resolution relating to a particular Project or Projects and/or a particular Series of Bonds;

(iv) with respect to any Series of Bonds, the Series of Bonds issued under a Series Resolution for a particular Project or Projects for the particular Participant or Participants;

(v) with respect to any Loan Agreement, the Loan Agreement entered into by and between a particular Participant and the Authority, relating to a particular Project or Projects for such Participant financed or refinanced with such Participant's Allocable Portion of a particular Series of Bonds;

Appendix D

(vi) with respect to a Bond Series Certificate, such certificate authorized pursuant to a particular Series Resolution;

(vii) with respect to any Supplemental Resolution, any such Resolution supplementing a particular Series Resolution;

(viii) with respect to a Participant, the Participant undertaking the obligations set forth in the Applicable Loan Agreement;

(ix) with respect to a Paying Agent, the Paying Agent accepting the responsibility to perform the obligations set forth therefor with respect to a particular Series of Bonds;

(x) with respect to Revenues, the Revenues pledged to the payment of a particular Series of Bonds pursuant to the Resolution and an Applicable Series Resolution;

(xi) with respect to Pledged Revenues, the Pledged Revenues pledged by the Participants as security for their respective obligations under the Applicable Loan Agreements; and

(xii) with respect to a Facility Provider, the Facility Provider that has provided a Reserve Fund Facility with respect to a particular Series of Bonds.

Arbitrage Rebate Fund means the fund so designated and established by a Series Resolution pursuant to the Resolution.

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

Authority Fee means a fee payable to the Authority upon the issuance of any Series of Bonds authorized under the Resolution in an amount set forth in the Applicable Series Resolution, unless otherwise provided in the Applicable Series Resolution or Applicable Bond Series Certificate.

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 (5) days (other than legal holidays) in each calendar week in the Borough of Manhattan, City and State of New York, designated by the Authority.

Authorized Officer means (i) in the case of the Authority, the Chair, the Vice Chair, the Executive Director, the Deputy Executive Director, the Chief Financial Officer, the Treasurer, any Assistant Treasurer, the Managing Director of Public Finance and Portfolio Monitoring, the Managing Director of Construction, the General Counsel, the Secretary and any Assistant Secretary, 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 any Participant, the person or persons authorized by a resolution or the by-laws of such Participant to perform any act or execute any document; (iii) in the case of the Trustee, the President, a Vice President, an Assistant Vice President, a Corporate Trust Officer, a Trust Officer or an Assistant Trust Officer of the Trustee, 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 such Trustee or the by-laws of such Trustee; and (iv) in the case of any Insurer, the person or persons authorized by a resolution or bylaws of the Insurer to perform any act or execute any document.

Balloon Indebtedness means with respect to a Participant (i) long-term Indebtedness, or short-term Indebtedness which is intended to be refinanced upon or prior to its maturity (and which short-term Indebtedness is subject to a commercially reasonable binding commitment for such refinancing) so that such short-term Indebtedness will be outstanding, in the aggregate, for more than one year as certified in a certificate of an Authorized Officer of such Participant delivered to the Authority and the Trustee, twenty-five percent (25%) or

more of the initial principal amount of which matures (or is payable at the option of the holder) in any twelve month period, or (ii) long-term Indebtedness, or short-term Indebtedness which is intended to be refinanced upon or prior to its maturity (and which short-term Indebtedness is subject to a commercially reasonable binding commitment for such refinancing) so that such short-term Indebtedness will be outstanding, in the aggregate, for more than one year as certified in a certificate of an Authorized Officer of such Participant delivered to the Authority and the Trustee, twenty-five percent (25%) or more of the initial principal amount of which is payable at the option of the holder in any twelve month period, if such twenty-five percent (25%) or more is not to be amortized to below twenty-five percent (25%) by mandatory redemption prior to such twelve month period, or (iii) any portion of an issue of long-term Indebtedness which, if treated as a separate issue of Indebtedness would meet the test set forth in clause (i) of this definition and which Indebtedness is designated as Balloon Indebtedness in a certificate of an Authorized Officer of such Participant delivered to the Authority and the Trustee stating that such portion shall be deemed to constitute a separate issue of Balloon Indebtedness.

Bond or **Bonds** means the InterAgency Council Pooled Loan Program Revenue Bonds and any of the bonds of the Authority authorized pursuant to the Resolution and issued pursuant to an Applicable Series Resolution.

Bond Counsel means an attorney or a law firm, appointed by the Authority with respect to a particular Series of Bonds, having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds.

Bond Series Certificate means a 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 a Series Resolution.

Bond Year means, unless otherwise provided in an Applicable Series Resolution or Applicable Bond Series Certificate, a period of twelve (12) consecutive months beginning July 1 in any calendar year and ending on June 30 of the succeeding calendar year.

Bondholder, Holder of Bonds, Owner or Holder or any similar term, when used with reference to a Bond or Bonds of a Series, means the registered owner of any Outstanding Bonds of such Series.

Book Entry Bond means any Bond issued hereunder in book entry form pursuant to the Resolution.

Business Day means, unless otherwise defined with respect to Bonds of a Series in an Applicable Series Resolution or Applicable Bond Series Certificate, any day other than a Saturday, Sunday or a day on which the Trustee is authorized by law to remain closed.

Code means the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder.

Contract Documents means any general contract or agreement for the construction of a 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 an Applicable Participant relating to the construction of a Project, and any amendments to the foregoing.

Contribution Amounts means amounts received by a Participant and deposited in the Applicable Project Loan Account of the Project Loan Fund or the Applicable Debt Service Account of the Debt Service Fund pursuant to the Applicable Loan Agreement, which amounts shall constitute Revenues.

Cost or Costs of Issuance means the item or items of expense incurred in connection with the authorization, sale and issuance of Bonds authorized under the Resolution, 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, legal fees and charges, professional consultants' fees, fees and charges for execution, transportation and safekeeping of such Bonds, premiums, fees and charges for Municipal Bond Insurance

Policies for such Bonds or for Mortgage Insurance Policies, costs and expenses of refunding such Bonds and other costs, charges and fees, including those of the Authority, in connection with the foregoing.

Cost or Costs of the Project means, with respect to an Applicable Project or any portion thereof, costs and expenses or the refinancing of costs and expenses determined by the Authority to be necessary in connection therewith, 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 such Project, (iii) the cost of surety bonds and insurance of all kinds that may be required or necessary prior to completion of such 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 such Project, (v) costs and expenses required for the acquisition and installation of equipment or machinery, (vi) all other costs which the Applicable Participant shall be required to pay for the acquisition, construction, reconstruction, rehabilitation, renovation, repair, improvement and equipping of such Project, (vii) any sums required to reimburse the Applicable Participant or the Authority for advances made by either of them for any of the above items or for other costs incurred and for work done by either of them in connection with such Project (including interest on moneys borrowed from parties other than such Applicable Participant), (viii) interest on the Bonds of a Series prior to, during and for a reasonable period after completion of the acquisition, construction, reconstruction, rehabilitation, renovation, repair, improvement or equipping of such Project, and (ix) fees, expenses and liabilities of the Authority incurred in connection with such Project or pursuant to the Resolution, to the Applicable Series Resolution or to any Applicable Loan or Applicable Loan Agreement.

Debt Service Account means each of the respective accounts so designated, created and established in the Applicable Debt Service Fund pursuant to the Applicable Series Resolution.

Debt Service Fund means the fund so designated, created and established for a Series of Bonds by an Applicable Series Resolution pursuant to the Resolution.

Debt Service Reserve Fund means a reserve fund, if any, for the payment of the principal and Sinking Fund Installments of and interest on a Series of Bonds, so designated, created and established by the Authority by or pursuant to an Applicable Series Resolution.

Debt Service Reserve Fund Requirement means the amount of moneys required to be deposited in the Debt Service Reserve Fund, if any, established with respect to a Series of Bonds as determined in accordance with the Applicable Series Resolution or Applicable Bond Series Certificate.

Defaulted Allocable Portion means with respect to an event of default on a particular Series of Bonds pursuant to the Resolution, that portion of each maturity of such Series of Bonds then Outstanding that corresponds to a principal installment on a defaulting Participant's Applicable Loan under the terms of the Applicable Loan Agreement, in each case as determined by the Trustee in the manner set forth in the Resolution.

Defeasance Security means

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

(ii) a Federal Agency Obligation described in clauses (i) or (ii) of the definition of Federal Agency Obligation; and

(iii) an Exempt Obligation, provided such Exempt Obligation (a) 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, (b) 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 (a) above, (c) 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 (a) above, and (d) 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.

Excess Earnings means, with respect to an Applicable Series of Bonds, the amount equal to the rebatable arbitrage and any income attributable to the rebatable arbitrage as required by the Code.

Exempt Obligation means:

(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, no lower than the second highest rating category for such obligation by at least two Rating Services; and

(ii) a share or interest in a mutual fund, partnership or other fund registered under the Securities Act of 1940, as amended, and operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended, whose objective is to maintain a constant share value of \$1.00 and which, at the time such investment is rated, no lower than the second highest rating category for such obligation by at least two Rating Services.

Facility Provider means the issuer of a Reserve Fund Facility.

Federal Agency Obligation means:

(i) an obligation issued by any federal agency or instrumentality rated no lower than the second highest rating category for such obligation by at least two Rating Services;

(ii) an obligation the principal of and interest on which are fully insured or guaranteed as to payment by a federal agency or instrumentality, and which is rated no lower than the second highest rating category for such obligation by at least two Rating Services;

(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 registered under the Securities Act of 1933, as amended, and operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended, wholly comprised of any of the foregoing obligations and whose objective is to maintain a constant share value of \$1.00.

Fiscal Year means the duly adopted fiscal year of a Participant.

Fitch means Fitch Ratings, a corporation organized and existing under the laws of the State of Delaware, and its successors and assigns.

Government Obligation means:

- (i) a direct obligation of the United States of America;
- (ii) an obligation the principal of and interest on which are fully insured or guaranteed as to payment by the United States of America;
- (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 registered under the Securities Act of 1933, as amended, and operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended, wholly comprised of any of the foregoing obligations and whose objective is to maintain a constant share value of \$1.00.

Governmental Requirements means any present and future laws, rules, orders, ordinances, regulations, statutes, requirements and executive orders applicable to the Project or any Project Property, of the United States, the State and any political subdivision thereof, and any agency, department, commission, board, bureau or instrumentality of any of them, now existing or hereafter created, and having or asserting jurisdiction over the Project or any Project Property or any part of either.

Gross Proceeds means, with respect to an Applicable Series of Bonds, unless inconsistent with the provisions of the Code, (i) amounts received by the Authority from the sale of such 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 such Series of Bonds in accordance with the Code, (iii) amounts treated as proceeds under the provisions of the Code relating to invested sinking funds, including any necessary allocation between two or more Series of Bonds in the manner required by the Code, (iv) amounts in the Debt Service Reserve Fund, if any, established with respect to such Series of Bonds, (v) securities or obligations pledged by the Authority or the Participant as security for payment of debt service on such Bonds, (vi) amounts received with respect to obligations acquired with Gross Proceeds, (vii) amounts used to pay debt service on such Series of Bonds, and (viii) amounts received as a result of the investment of Gross Proceeds at a yield equal to or less than the yield on such Series of Bonds as such yield is determined in accordance with the Code.

Indebtedness means with respect to a Participant, without duplication, (i) all obligations of such Participant recorded or required to be recorded as liabilities on the balance sheets thereof for the payment of moneys incurred or assumed by such Participant as determined in accordance with generally accepted accounting principles consistently applied (exclusive of reserves such as those established for deferred taxes) and (ii) all contingent obligations in respect of, or to purchase or otherwise acquire or service, indebtedness of other persons, including but not limited to guarantees and endorsements (other than for purposes of collection in the ordinary course of business) of indebtedness of other persons, obligations to reimburse issuers of letters of credit or equivalent instruments for the benefit of any person, and contingent obligations to repurchase property theretofore sold by such contingent obligor. For the purposes of calculating Indebtedness for any period with respect to any Balloon Indebtedness, the Participant may, at its option, by a certificate of an Authorized Officer of such Participant delivered to the Authority and the Trustee at the end of each Fiscal Year, direct that such Indebtedness may be calculated assuming that (i) the principal of such Indebtedness that is not amortized is amortized on a level debt service basis from the date of calculation thereof over a term not to exceed thirty (30) years, and (ii) interest is calculated at (A) the actual rate (if such rate is not variable or undeterminable) or (B) if such rate is variable or undeterminable, an assumed rate derived from The Bond Buyer Thirty-year Revenue Bond Index published immediately prior to the date of calculation, as certified in a certificate of an Authorized Officer of such Participant delivered to the Authority and the Trustee; provided that if such index is at such time not being published a comparable index reasonably acceptable to the Authority and the Trustee may be used.

Insurance Consultant means a person or firm which is qualified to survey risks and to recommend insurance coverage for a Participant's facilities and services and organizations engaged in like operations and which is selected by the Applicable Participant.

Intercept Agreement means each letter dated the date of issuance of the Bonds from the Applicable Participant to OPWDD, as acknowledged by OPWDD, as may be amended and supplemented from time to time, regarding the deduction, withholding and/or payment of public funds by OPWDD, in an amount required by the Applicable Loan Agreement to the Authority or the Trustee.

Governmental Requirements means any present and future laws, rules, orders, ordinances, regulations, statutes, requirements and executive orders applicable to the Project or any Project Property, of the United States, the State and any political subdivision thereof, and any agency, department, commission, board, bureau or instrumentality of any of them, now existing or hereafter created, and having or asserting jurisdiction over the Project or any Project Property or any part of either.

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

Letter of Credit means, with respect to an Applicable Series of Bonds, an irrevocable letter of credit, or as appropriate, a confirmation or confirming letter of credit, issued in favor of the Authority or the Trustee, as the case may be, in form and substance satisfactory to the Authority or the Trustee, as the case may be, which is issued by a Qualified Financial Institution, and is accompanied by a legal opinion or opinions addressing the enforceability thereof.

Loan means each loan made by the Authority to a Participant pursuant to the provisions of the Resolution, the Applicable Series Resolution and the Applicable Loan Agreement relating thereto in an amount equal to the Participant's Allocable Portion of the principal amount of a Series of Bonds. Each Loan shall relate to a particular Project or Projects for a particular Participant including amounts required to pay such Participant's Allocable Portion of the Costs of Issuance, Costs of the Project related to such Loan and the Debt Service Reserve Fund Requirement, if any, established for such Series of Bonds.

Loan Agreement or **Loan Agreements** mean each of the Loan Agreements or other agreement, between the Authority and the Applicable Participant in connection with each Loan made under the Resolution, as the same may from time to time be amended, supplemented or otherwise modified as permitted by the Resolution and by the Loan Agreement.

Loan Repayments means the scheduled monthly payments of principal of and interest on the Loan paid by a Participant pursuant to the Applicable Loan Agreement.

Management Consultant means a nationally recognized accounting or management consulting firm or other similar firm, experienced in reviewing and assessing operations of organizations similar to the Participants, acceptable to the Authority.

Moody's means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, and its successors and assigns.

Mortgage means, collectively, any fee or leasehold mortgage or mortgages granted by any of the Participants, or a party related to any Participant, to the Authority in connection with the granting of a particular Loan under the Resolution, in form and substance satisfactory to the Authority, on the Mortgaged Property mortgaged in connection therewith, as security for the performance of said Participant's obligations under the Applicable Loan Agreement, as such Mortgage may be amended or modified as provided in such Loan Agreement.

Mortgaged Property means the land or interest therein described in a Mortgage and the buildings and improvements thereon or thereafter erected thereon and the fixtures, furnishings and equipment owned by the Applicable Participant and now or hereafter located therein or thereon.

Non-PPA Expenses means with respect to a Participant, all operating and nonoperating expenses of such Participant other than PPA Expenses.

Non-PPA Facility means with respect to a Participant, any facility of such Participant which is, or was, not subject to the Prior Property Approval process incorporated in New York State Codes, Rules and Regulations, Title 14, Parts 681, 686 and 690, as amended from time to time.

Non-PPA Indebtedness means with respect to a Participant, any Indebtedness incurred by such Participant to finance, in whole or in part, a Non-PPA Facility. Indebtedness incurred by such Participant with respect to a facility only a portion of which constitutes a Non-PPA Facility shall constitute Non-PPA Indebtedness to the extent such Indebtedness financed the Non-PPA Facility portion of such facility.

Non-PPA Revenues means with respect to a Participant, all operating and nonoperating revenues of such Participant other than PPA Revenues.

Official Statement means an official statement or other offering document relating to and in connection with the sale of any Bonds of a Series.

OPWDD means the New York State Office for People with Developmental Disabilities (formerly known as the New York State Office of Mental Retardation and Developmental Disabilities).

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

Participant or Participants collectively means each or all of the not-for-profit members of the Program Facilitator for whose benefit the Authority shall have issued Bonds under the Resolution and with whom the Authority shall have executed one or more Loan Agreements as particularly defined in the Applicable Series Resolution.

Paying Agent means, with respect to a Series of Bonds, the Trustee and any other bank or trust company and its successor or successors, appointed pursuant to the provisions of the Resolution or of the Applicable Series Resolution, the Applicable Bond Series Certificate or any other resolution of the Authority adopted prior to authentication and delivery of such Bonds for which such Paying Agent or Paying Agents shall be so appointed.

Permitted Collateral means:

- (i) Government Obligations described in clauses (i) or (ii) 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 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;
- (iv) financial guaranty agreements, surety or other similar bonds or other instruments of an insurance company (a) that has an equity capital of at least \$125,000,000, (b) is rated by Bests Insurance Guide or a nationally recognized statistical rating service in the highest rating category, and (c) which regularly deals in such agreements, bonds or instruments; and

(v) bankers' acceptances that (a) mature within three hundred sixty-five (365) days after its date of issuance, and (b) are issued by a bank rated in the highest short term rating category by at least one Rating Service.

Permitted Encumbrances means with respect to a Participant, (i) the Applicable Loan Agreement, (ii) the Resolutions, (iii) the Mortgage, if any, (iv) any instrument recorded pursuant to the Loan Agreement, (v) any encumbrances or matters set forth in the Applicable Loan Agreement, including matters referred to in any title insurance policy described in the Loan Agreement and accepted by the Authority, (vi) any mortgage or other lien or encumbrance in connection with any additional Bonds issued under the Resolution approved in writing by the Authority, and (vii) any other encumbrances or matters approved in writing by the Authority after the date of delivery of the Bonds.

Permitted Investments means:

- (i) Government Obligations;
- (ii) Federal Agency Obligations;
- (iii) Exempt Obligations;
- (iv) uncollateralized certificates of deposit that are fully insured by the Federal Deposit Insurance Corporation and issued by a banking organization authorized to do business in the State;
- (v) collateralized certificates of deposit that are (a) issued by a banking organization authorized to do business in the State that has an equity capital of not less than \$125,000,000, whose unsecured senior debt, or debt obligations fully secured by a letter 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) fully collateralized by Permitted Collateral;
- (vi) Investment Agreements that are fully collateralized by Permitted Collateral; and
- (vii) Permitted Collateral of the type described in clauses (iii) and (v) of the definition of Permitted Collateral.

Person means an individual, corporation, firm, association, partnership, trust or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

Pledged Revenues means the Public Funds attributable to the Applicable Project and/or the Project Property..

PPA Expenses means with respect to a Participant, all operating and nonoperating expenses properly incurred by such Participant with respect to a PPA Facility in accordance with the Prior Property Approval received by such Participant with respect to such PPA Facility.

PPA Facility means with respect to a Participant, any facility of such Participant which was, or will be, approved by OPWDD pursuant to the Prior Property Approval process incorporated in New York State Codes, Rules and Regulations, Title 14, Parts 681, 686 and 690, as amended from time to time.

PPA Revenues means with respect to a Participant, revenues received by such Participant with respect to a PPA Facility intended to amortize the PPA Expenses incurred with respect to such PPA Facility.

Prior Pledges means, with respect to the Bonds of the Applicable Series and any Applicable Loan made under a Loan Agreement, any liens, pledges, charges, encumbrances and security interests made and given by a Participant to secure prior obligations of such Participant as described in such Loan Agreement.

Program Facilitator shall mean Interagency Council of Developmental Disabilities Agencies, Inc., as program facilitator under the Administration Agreement, and its successors in such capacity.

Project or Projects means, with respect to each Participant and each Loan under the Resolution, the acquisition, financing, refinancing, construction, reconstruction, renovation, development, improvement, expansion and equipping of certain educational, administrative, day program and residential facilities to be located in the State, which may include more than one part, financed in whole or in part from the proceeds of the sale of an Applicable Series of Bonds or any portion thereof, as more particularly described and designated the Applicable Series Resolution.

Project Loan Account means each of the respective accounts or subaccounts so designated, created and established in the Applicable Project Loan Fund by an Applicable Series Resolution.

Project Loan Fund means the fund so designated and established for a Series of Bonds by an Applicable Series Resolution.

Project Property means the administrative, educational and residential facilities owned or leased by a Participant including real and personal property located thereat, as more particularly described in the Applicable Loan Agreement.

Public Funds means all moneys appropriated, apportioned or otherwise payable to a Participant by the Federal government, any agency thereof, the State, any agency of the State, a political subdivision, as defined in Section 100 of the General Municipal Law, any social services district in the State or any governmental entity, including OPWDD pursuant to each Prior Property Approval with respect to the Applicable Project Property.

Purchased Bonds means Bonds of a Series purchased by or at the direction of an Applicable Participant pursuant to the provisions of the Applicable Series Resolution or Applicable Bond Series Certificate as authorized by the Resolution.

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 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 Rating Service no lower than in the highest rating category for such short term debt;

(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, whose unsecured long term debt or debt obligations fully secured by a letter or credit, contract, agreement or surety bond issued by it, is, at the time an investment with it is made, rated by at least one Rating Service no lower than in the second highest rating category;

(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 or which is a subsidiary of a foreign insurance company, whose senior unsecured long term debt or debt obligations fully secured by a letter or credit, contract, agreement or surety bond issued by it, is, at the

time an investment with it is made, rated by at least one Rating Service no lower than in the second highest rating category;

(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 hereunder purchased from such corporation, are insured by an insurer that meets the applicable rating requirements set forth above.

Rating Service means each of Fitch, Moody's and S&P, in each case, which has assigned a rating to Outstanding Bonds of the Applicable Series at the request of the Authority, or their respective successors and assigns.

Record Date means, unless otherwise defined with respect to Bonds of a Series in an Applicable Series Resolution or Applicable Bond Series Certificate, the fifteenth (15th) day (whether or not a Business Day) of the calendar month next preceding an interest payment date.

Redemption Price means, when used with respect to a Series of Bonds, the principal amount of such Bonds plus the applicable premium, if any, payable upon redemption thereof pursuant to the Resolution or to the Applicable Series Resolution or Applicable Bond Series Certificate; *provided, however*, when used with respect to an extraordinary mandatory redemption of a Defaulted Allocable Portion of a Series of Bonds, Redemption Price shall have the meaning set forth in the Resolution.

Refunding Bonds means all Bonds, whether issued in one or more Series of Bonds, authenticated and delivered on original issuance pursuant to the Resolution, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds.

Reserve Fund Facility means a surety bond, insurance policy or Letter of Credit authorized by or pursuant to a Series Resolution establishing a Debt Service Reserve Fund to be delivered in lieu of or substitution of all or a portion of the moneys otherwise required to be held in such Debt Service Reserve Fund.

Resolution means this InterAgency Council Pooled Loan Program Revenue Bond Resolution, as the same may be from time to time amended or supplemented by Supplemental Resolutions in accordance with the terms and provisions hereof.

Revenues mean, with respect to a particular Series of Bonds, all payments received or receivable by the Authority (including Contribution Amounts and Public Funds) pursuant to each of the Applicable Loan Agreements, which payments are to be paid to the Trustee, except (i) payments to such Trustee for the administrative costs and expenses or fees of such Trustee, (ii) payments to such Trustee for deposit to the Arbitrage Rebate Fund, and (iii) the Annual Administrative Fee.

S&P means Standard & Poor's Ratings Service, a division of The McGraw Hill Corporation, a corporation organized and existing under the laws of the State, and its successors and assigns.

Serial Bonds means the Bonds so designated in an Applicable Series Resolution or an Applicable Bond Series Certificate.

Series means all of the Bonds authenticated and delivered on original issuance and pursuant the Resolution and an Applicable Series Resolution, and any Bonds of such Series 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 members of the Authority authorizing the issuance of a Series of Bonds, adopted by the Authority pursuant to the Resolution.

Series 2011A Resolution means the Authority's Series Resolution Authorizing Up to \$5,000,000 InterAgency Council Pooled Loan Program Revenue Bonds, Series 2011A adopted by the Authority on July 27, 2011, as the same may be amended, supplemented or otherwise modified pursuant to the terms thereof.

Sinking Fund Installment means, with respect to any Series or Subseries of Bonds, as of any date of calculation and with respect to any Bonds of such Series or Subseries, so long as any such Bonds are Outstanding, the amount of money required by the Applicable Series Resolution or the Applicable Bond Series Certificate to be paid on a single future July 1 for the retirement of any Outstanding Bonds of such Series which mature after such future July 1, but does not include any amount payable by the Authority by reason only of the maturity of such Bond, and such future July 1 is deemed to be the date when such 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.

Subseries means the grouping of Bonds of a Series established by the Authority pursuant to the Applicable Series Resolution or the Applicable Bond Series Certificate.

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

Term Bonds means, with respect to Bonds of a Series, the Bonds so designated in an Applicable Series Resolution or an Applicable Bond Series Certificate and payable from Sinking Fund Installments.

Total Debt Service Coverage Ratio means with respect to a Participant, the ratio for the applicable Fiscal Year of Total Net Revenues Available for Debt Service to Total Maximum Annual Debt Service.

Total Maximum Annual Debt Service means with respect to a Participant, the greatest amount required in the then current or any future Fiscal Year to pay the debt service on any outstanding Indebtedness of such Participant; *provided, however*, that any Indebtedness secured solely by a security interest in its Accounts Receivable in accordance with such Participant's rate covenant set forth in the Applicable Loan Agreement shall not be included in "Indebtedness" for the purposes of this definition; *provided further* that the debt service for the final year of amortization of any Indebtedness shall not be included for purposes of this definition to the extent that such debt service is payable from any funded reserve(s) established with and held by a Person other than such Participant.

Total Net Revenues Available for Debt Service means with respect to a Participant, for any Fiscal Year, the excess of Revenues, including the proceeds of business interruption insurance, over the Expenses accrued or paid by such Participant for such Fiscal Year as determined and reported by the independent certified public accountants of such Participant in its most recently audited financial statements. For purposes of this definition, as determined in accordance with generally accepted accounting principles, consistently applied, (i) extraordinary items shall be excluded from Revenues and Expenses, (ii) depreciation, amortization and current interest expenses shall be excluded from Expenses, and (iii) if the Indebtedness to be incurred or guaranteed is with respect to the refinancing of a Project, then "current interest expenses" for purposes of clause (ii) above and such Participant's additional Indebtedness covenant set forth in the Applicable Loan Agreement shall include the bona fide loan payments made by such Participant with respect to such Project Property in the Fiscal Year for which the determination is made.

Trustee means a bank or trust company appointed as Trustee for a Series of Bonds pursuant to an Applicable Series Resolution or an Applicable Bond Series Certificate delivered hereunder and having the duties, responsibilities and rights provided for herein with respect to such Series, and its successor or successors and any other bank or trust company which may at any time be substituted in its place pursuant hereto.

APPENDIX E

SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENTS

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SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENTS

The following is a brief summary of certain provisions of one Loan Agreement, and the summarized provisions are identical to each Loan Agreement. This summary does not purport to be complete and reference is made to the Loan Agreements for full and complete statements of such and all provisions. Defined terms used herein shall have the meaning ascribed to them in Appendix D.

Duration of the Loan Agreement

The Loan Agreement shall remain in full force and effect until the Participant's Allocable Portion of the Bonds is no longer Outstanding, the Applicable Loan made under the Loan Agreement is no longer outstanding and until all other payments, expenses and fees payable under the Loan Agreement by the Participant shall have been made or provision made for the payment thereof; provided, however, that the liabilities and the obligations of the Participant under the Loan Agreement shall nevertheless survive any such termination. Upon such termination, the Authority shall promptly deliver such documents as may be reasonably requested by the Participant to evidence such termination and the discharge of the Participant's duties under the Loan Agreement, including the release or surrender of any security interests granted by the Participant to the Authority pursuant to the Loan Agreement.

(Section 48)

Construction of the Project

The Participant agrees that, if the Project has not been completed, 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 Participant 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 such Project. Subject to the conditions of the Loan Agreement, the Authority will, to the extent of moneys available in the Applicable Project Loan Account of the Project Loan Fund, cause the Participant to be reimbursed for, or pay, any costs and expenses incurred by the Participant which constitute Costs of the Project, provided such costs and expenses are approved by the Authority, which approval shall not be unreasonably withheld.

(Section 5)

Amendment of Project; Sale or Conveyance of Project; Assignment of Loan Agreement; Cost Increases; Additional Bonds

The Project may be amended by agreements supplementing the Loan Agreement by and between the Authority and the Participant, 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.

Except for Permitted Encumbrances, the Participant covenants that it shall not (nor permit any other Person to) transfer, sell, encumber or convey any interest in the Project or the Project Property or any part thereof or interest therein, including development rights, without the prior written consent of the Authority, which consent shall be accompanied by (i) an agreement by the Participant 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 Subseries 2011A-1 Bonds or any portion thereof the proceeds of which have been applied to make the Applicable Loan under the Loan Agreement for federal income taxation purposes. As a condition to such approval, the Authority may require that the Participant pay to the Trustee for deposit in the Applicable Debt Service Account of the Debt Service Fund an amount not to exceed the principal amount of the Applicable Loan outstanding at the date of such transfer, sale or conveyance, as such amount is determined by the Authority. Notwithstanding the foregoing, the Participant may remove equipment, furniture or fixtures in the Project or which comprise a part of the Project provided that the Participant substitutes equipment, furniture or fixtures having a value and utility at least equal to the equipment, furniture or fixtures removed or replaced.

The Participant covenants that it shall not sell, assign or transfer, nor shall it be released from, any of its obligations under the Loan Agreement without the prior written consent of the Authority, which consent shall be accompanied by (i) an agreement by the Participant and the assignee to comply with all terms and conditions of such consent and (ii) an opinion of Bond Counsel stating that the assignment will not have an effect on the status of the taxability of the Subseries 2011A-1 Bonds or any portion thereof the proceeds of which have been applied to make the Applicable Loan under the Loan Agreement for federal income taxation purposes. In connection with any such assignment and assumption, the Participant and assignee shall execute and deliver such documents, certificates and agreements as may be required by the Authority, including but not limited to documents, certificates and agreements regarding the deduction, withholding and/or payment of Pledged Revenues in the amount required by the Loan Agreement.

Notwithstanding any other provision of the Loan Agreement, so long as there exists no Event of Default under the Loan Agreement, nor any event which upon the giving of notice or the passage of time or both, would constitute an Event of Default, the Participant may, upon written notice to the Authority and the Trustee and compliance with the following, effect the release of a Project Property from the Loan Agreement and, if a Mortgaged Property, the lien of the Mortgage. Upon receipt of such notice, the Authority and the Trustee shall, at the sole cost and expense of the Participant, execute and deliver any and all instruments necessary or appropriate to so release and remove such Project Property from the Loan Agreement and if a Mortgaged Property, the lien of the Mortgage; provided, that, no such release shall be effected unless (i) the Participant shall cause Bonds allocable to such Project Property to cease to be Outstanding (either through the redemption or the defeasance provisions of the Resolution) and (ii) there shall be delivered to the Authority an opinion of Bond Counsel stating that such release will not have an effect on the status of the taxability of the Subseries 2011A-1 Bonds or any portion thereof the proceeds of which have been applied to make the Applicable Loan under the Loan Agreement for federal income taxation purposes.

The Participant 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 Applicable Project Loan Account of the Project Loan Fund established for such Project. Such moneys, letter of credit or other security shall be paid or be available to the Trustee for deposit in the Applicable Project Loan Account of the Project Loan Fund within thirty (30) days of receipt of notice from the Authority that such moneys or other security are required.

No Contract Documents shall be entered into after the date of execution and delivery of the Loan Agreement and no material modification, addition or amendment to the Contract Documents shall be made after the date of the execution and delivery of the Loan Agreement, including without limitation change orders materially affecting the scope or nature of the Project or where the cost of implementing the change exceeds \$50,000, without the prior written approval of the Authority, which approval shall not be unreasonably withheld. The Participant agrees to furnish or cause to be furnished to the Authority copies of all change orders regardless of amount, upon the request of the Authority therefor.

The Authority, upon request of the Participant, 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 Project Loan Account of the Project Loan Fund. Nothing contained in the Loan Agreement or in the Resolutions shall be construed as creating any obligation upon the Authority to issue Bonds for such purpose, it being the intent 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 Participant; General and Unconditional Obligation; Voluntary Payments

Except to the extent that moneys are available therefor under the Resolution or the Series Resolution or under the Loan Agreement, including, without limitation, moneys in the Applicable Debt Service Account of the Debt Service Fund, but excluding moneys from the Participant's Allocable Portion of the Debt Service Reserve Fund and excluding interest accrued but unpaid on investments held in the Applicable Debt Service Account of the Debt Service Fund, the Participant unconditionally agrees to pay, so long as the Loan is outstanding, to or upon the

order of the Authority or, with respect to paragraph (d) below, the Program Facilitator from its general funds or any other moneys legally available to it:

(a) On or before the date of delivery of the Bonds, the Authority Fee in the amount set forth in the Loan Agreement;

(b) On or before the date of delivery of the Bonds, such amount, if any, as in the reasonable judgment of the Authority is necessary to pay the Participant's Allocable Portion of the Costs of Issuance of such Bonds, and the Participant's Allocable Portion of the other costs in connection with the issuance of such Bonds;

(c) The Participant shall make Loan Repayments on the dates and in the amounts as set forth in the Loan Agreement;

(d) The fees of the Program Facilitator to be paid by the Participant pursuant to the Administration Agreement;

(e) At least forty-five (45) days prior to any date on which the Redemption Price or purchase price of Bonds previously called for redemption or contracted to be purchased is to be paid exclusive of Bonds to be redeemed or purchased pursuant to Sinking Fund Installments, the Participant's Allocable Portion of the amount required to pay the Redemption Price or purchase price of such Bonds;

(f) The Annual Administrative Fee, through the final maturity date of the Bonds or until such Bonds are no longer Outstanding, as set forth in the Loan Agreement;

(g) Promptly after notice from the Authority, but in any event not later than fifteen (15) days after such notice is given, the amount set forth in such notice as payable to the Authority (i) for the Participant's Allocable Portion of the Authority Fee then unpaid, (ii) to reimburse the Authority for payments made by it pursuant to the penultimate paragraph under this heading and any expenses or liabilities incurred by the Authority pursuant to provisions of the Loan Agreement as described under the headings "Covenant as to Insurance" and "Taxes and Assessments" below and other provisions of the Loan Agreement relating to indemnity by the Participant, (iii) to reimburse the Authority for the Participant's Allocable Portion of any external costs or expenses incurred by it attributable to the issuance of the Bonds of a Series, (iv) to reimburse the Authority for any external costs or expenses incurred by it attributable to the financing or construction of the Project, including, but not limited to, costs and expenses of insurance and auditing, (v) for the costs and expenses incurred by the Authority to compel full and punctual performance by the Participant of all the provisions of the Loan Agreement, of the Intercept Agreement, of the Resolution or of the Series Resolution in accordance with the terms of the Loan Agreement and thereof, and (vi) for the Participant's Allocable Portion of the fees and expenses of the Trustee and any Paying Agent in connection with performance of their duties under the Resolution or the Series Resolution;

(h) Promptly upon demand by the Authority (a copy of which demand shall be furnished to the Trustee), all amounts required to be paid by the Participant as a result of an acceleration pursuant to the Loan Agreement; and

(i) Promptly upon demand by the Authority, the difference between the amount on deposit in the Participant's Allocable Portion of the Arbitrage Rebate Fund or otherwise available therefor under the Resolution for the payment of any rebate required by the Code to be made and the Participant's Allocable Portion of the amount required to be rebated to the Department of the Treasury of the United States of America in accordance with the Code in connection with the Bonds.

Subject to the provisions of the Loan Agreement and of the Resolution or the Series Resolution, the Participant shall receive a credit against the amount required to be paid by the Participant during a Bond Year pursuant to paragraph (c) above on account of a Sinking Fund Installment if, prior to the date notice of redemption is given pursuant to the Resolution with respect to Bonds to be redeemed through a Sinking Fund Installment payable on the next succeeding July 1, the Participant delivers to the Trustee for cancellation one or more Bonds of the Series and maturity to be so redeemed on such July 1. The amount of the credit shall be equal to the principal amount of the Bonds so delivered.

The Authority directs the Participant, and the Participant agrees, to make the payments required by paragraphs (c), (e) and (h) above directly to the Trustee for deposit in the Applicable Debt Service Account of the Debt Service Fund and application in accordance with the Resolution or the Series Resolution, the payments required by paragraph (b) above directly to the Trustee for deposit in the Applicable Project Loan Account of the Project Loan Fund or other fund established under the Resolution or the Series Resolution, as directed by the Authority, the payments required by paragraph (i) above directly to the Trustee for deposit in the Arbitrage Rebate Fund, and the payments required by paragraphs (a), (f) and (g) above directly to the Authority.

Notwithstanding the foregoing, to the extent the Authority shall have received payment of Pledged Revenues on account of the payments required by paragraphs (c), (e), (h) and (i) above, such amounts received shall be credited against any payments due from the Participant with respect to its obligations under the Loan Agreement and are Revenues which shall be paid by the Authority to the Trustee. To the extent the Authority shall have received Pledged Revenues on account of the payments required by paragraphs (a), (f) and (g) above, such amounts received shall be credited against any payments due from the Participant with respect to its obligations under the Loan Agreement, and shall be retained by the Authority.

Notwithstanding any provision in the Loan Agreement or in the Resolution or the Series Resolution to the contrary (except as otherwise specifically provided for in provisions described under this heading), (i) all moneys paid by the Participant to the Trustee pursuant to paragraphs (c), (e) and (h) above (other than moneys received by the Trustee pursuant to the Resolution which shall be retained and applied by the Trustee for its own account) shall be received by the Trustee as agent for the Authority in satisfaction of the Participant's indebtedness to the Authority with respect to the interest on and principal or Redemption Price of the Bonds to the extent of such payment and (ii) the transfer by the Trustee of any moneys (other than moneys described in clause (i) of this subdivision) held by it in the Applicable Project Loan Account of the Project Loan Fund to the Applicable Debt Service Account of the Debt Service Fund in accordance with the applicable provisions of the Loan Agreement or of the Resolution shall be deemed, upon such transfer, receipt by the Authority from the Participant of a payment in satisfaction of the Participant's indebtedness to the Authority with respect to the Participant's Applicable Portion of the Redemption Price of the Bonds to the extent of the amount of moneys transferred. Immediately after receipt or transfer of such moneys, as the case may be, by the Trustee, the Trustee shall hold such moneys in trust in accordance with the applicable provisions of the Resolution for the sole and exclusive benefit of the Bondholders, regardless of the actual due date or payment date of any payment to the Bondholders, except in respect to the payment to the Participant by the Trustee as provided for in the Resolution.

The obligations of the Participant to make payments or cause the same to be made under the Loan Agreement shall be absolute 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 Participant 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 Participant to complete the Project or the completion thereof with defects, failure of the Participant to occupy or use the Project, any declaration or finding that the Bonds of any Series are or the Resolution or the Series 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 therein contained 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 Participant 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 to reimburse the Participant for, or to pay, the Costs of the Project beyond the extent of moneys in the Applicable Project Loan Account of the Project Loan Fund established for such Project.

The Loan Agreement and the obligation of the Participant to make payments thereunder are general obligations of the Participant.

The Authority, for the convenience of the Participant, shall furnish to the Participant statements of the due date, purpose and amount of payments to be made pursuant to the Loan Agreement. The failure to furnish such statements shall not excuse non-payment of the amounts payable under the Loan Agreement at the time and in the manner provided thereby.

The Authority shall have the right in its sole discretion to make on behalf of the Participant any payment required pursuant to the provisions of the Loan Agreement as described under this heading which has not been made by the Participant when due; provided, that notice of such payment is immediately made to the Participant. No such payment by the Authority shall limit, impair or otherwise affect the rights of the Authority under the provisions of the Loan Agreement described under the heading “Defaults and Remedies” below arising out of the Participant’s failure to make such payment and no payment by the Authority shall be construed to be a waiver of any such right or of the obligation of the Participant to make such payment.

The Participant, if there is not then an Event of Default under the Loan Agreement, shall have the right to make voluntary payments in any amount to the Trustee. In the event of a voluntary payment, the amount so paid shall be deposited in accordance with the directions of the Authority in the Applicable Debt Service Account of the Debt Service Fund or held by the Trustee for the payment of Bonds or portions thereof in accordance with the Resolution. Upon any voluntary payment by the Participant or any deposit in the Applicable Debt Service Account of the Debt Service Fund made as described in the fifth paragraph above, the Authority agrees to direct the Trustee to purchase or redeem Bonds or portions thereof in accordance with the Resolution or to give the Trustee irrevocable instructions in accordance with defeasance provisions of the Resolution; provided, however, that in the event such voluntary payment is in the sole judgment of the Authority sufficient to prepay the Loan under the Loan Agreement and to pay all other amounts then due thereunder, and to purchase or redeem the Participant’s Allocable Portion of the Bonds Outstanding, or to pay or provide for the payment of the Participant’s Allocable Portion of the Bonds Outstanding in accordance with defeasance provisions of the Resolution, the Authority agrees, in accordance with the instructions of the Participant, to direct the Trustee to purchase or redeem the Participant’s Allocable Portion of the Bonds Outstanding, or to cause the Participant’s Allocable Portion of the Bonds Outstanding to be paid or to be deemed paid in accordance with defeasance provisions of the Resolution.

(Section 9)

Debt Service Reserve Fund

The Participant agrees that it will at all times maintain on deposit in the Debt Service Reserve Fund an amount at least equal to the Participant’s Allocable Portion of the Debt Service Reserve Fund Requirement as set forth in the Loan Agreement, provided that the Participant shall be required to deliver moneys or Permitted Investments to the Trustee for deposit in the Debt Service Reserve Fund as a result of a deficiency in such Fund within (5) days after the notice required by the Series Resolution is received.

The Participant may deliver to the Trustee a Reserve Fund Facility for all or any part of the Participant’s Allocable Portion of the Debt Service Reserve Fund Requirement in accordance with and to the extent permitted by the Series Resolution. Whenever a Reserve Fund Facility has been delivered to the Trustee and the Participant is required to restore the Participant’s Allocable Portion of the Debt Service Reserve Fund Requirement, it shall reimburse directly, or pay to the Authority an amount sufficient to reimburse, the Facility Provider in order to cause the Reserve Fund Facility provided by the Participant or Participant’s Allocable Portion of the Reserve Fund Facility to be restored to the amount of the Participant’s Allocable Portion of the Debt Service Reserve Fund Requirement or shall then deliver additional moneys or Permitted Investments necessary to restore the Debt Service Reserve Fund to the Participant’s Allocable Portion of the Debt Service Reserve Fund Requirement.

The delivery to the Trustee of Permitted Investments or Reserve Fund Facility from time to time made by the Participant pursuant to the Loan Agreement as described under this heading shall constitute a pledge thereof, and shall create a security interest therein, for the benefit of the Authority to secure performance of the Participant’s obligations under the Loan Agreement and for the benefit of the Trustee to secure the performance of the obligations of the Authority under the Resolution. The Participant authorizes the Authority pursuant to the Resolution to pledge such Permitted Investments or Reserve Fund Facility to secure payment of the principal, Sinking Fund Installments, if any, and Redemption Price of, and interest on, the Bonds, whether at maturity, upon acceleration or otherwise, and the fees and expenses of the Trustee, and to make provision for and give directions with respect to the custody, reinvestment and disposition thereof in any manner not inconsistent with the terms of the Loan Agreement and of the Resolution or the Series Resolution.

All Permitted Investments deposited with the Trustee pursuant to the Loan Agreement as described under this heading, other than United States Treasury Certificates of Indebtedness State and Local Government Series

(“SLGs”) (subject to provisions for registration thereof), and the principal thereof and the interest, dividends or other income payable with respect thereto shall be payable to bearer or to the registered owner. All such Permitted Investments in registered form shall be registered in the name of the Trustee (in its fiduciary capacity) or its nominee. Record ownership of all such Permitted Investments shall be transferred promptly following their delivery to the Trustee into the name of the Trustee (in its fiduciary capacity) or its nominee. The Participant appoints the Trustee its lawful attorney-in-fact for the purpose of effecting such registrations and transfers.

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

Prior to the initial delivery of Permitted Investments (other than moneys) to the Trustee pursuant to the Loan Agreement as described under this heading, and upon any later delivery or substitution, the Participant will, at its cost and expense, provide to the Authority and the Trustee a written opinion of counsel satisfactory to the Authority to the effect that the Participant has full corporate power and authority to pledge such Permitted Investments as security in accordance with the Loan Agreement, such Permitted Investments have been duly delivered by the Participant to the Trustee, such delivery creates a valid and binding pledge and security interest therein in accordance with the terms thereof and of the Resolution, and nothing has come to the attention of such counsel that would lead it to believe that the Permitted Investments delivered by the Participant are not free and clear of all liens, pledges, encumbrances and security interests or are subject to any statutory, contractual or other restriction which would invalidate or render unenforceable the pledge and security interest therein, or the application or disposition thereof, contemplated by the Loan Agreement or by the Resolution.

(Section 10)

Security Interest in Pledged Revenues

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

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

(Section 11)

Collection of Pledged Revenues

Commencing on the date on which the Bonds are first issued and continuing until the Loan is no longer outstanding, the Participant shall deliver (or cause to be delivered) to the Trustee for deposit in the Applicable Debt Service Account of the Debt Service Fund all Pledged Revenues within ten (10) days following the Participant’s receipt thereof unless and until there is on deposit in the Applicable Debt Service Account of the Debt Service Fund an amount at least equal to the Participant’s Loan Repayment in the amount and on the date set forth in the Loan Agreement. In the event that, pursuant to remedies provision of the Loan Agreement, the Authority notifies the Participant that account debtors are to make payments directly to the Authority or to the Trustee such payments shall be so made notwithstanding anything contained in the Loan Agreement as described in this paragraph, but the

Participant shall continue to deliver to the Trustee for deposit in the Applicable Debt Service Account of the Debt Service Fund any payments received by the Participant with respect to the Pledged Revenues.

Notwithstanding anything to the contrary in the paragraph above, in the event that, on or prior to the tenth (10th) day of any month, the Participant makes a payment to or upon the order of the Trustee, from its general funds or from any other money legally available to it for such purpose, for deposit in Applicable Debt Service Account of the Debt Service Fund in the amount which the Participant is required to pay to the Trustee pursuant to the Loan Agreement regarding Loan Repayments, the Participant shall not be required solely by virtue of the Loan Agreement as described in the paragraph above, to deliver Pledged Revenues to the Trustee for deposit in the Applicable Debt Service Account of the Debt Service Fund with respect to the amount due to be paid on the tenth (10th) day of such month; provided that, nothing contained in this paragraph shall abrogate the obligations of the Participant under the Loan Agreement as described in the last two paragraphs under this heading.

Any Pledged Revenues collected by the Participant that are not required to be paid to the Trustee pursuant to the Loan Agreement as described under this heading or under the remedies provisions of the Loan Agreement, including any amounts to make up any deficiencies in any funds or accounts established pursuant to the Resolution or the Series Resolution, shall be free and clear of the security interest granted by the Loan Agreement and may be disposed of by the Participant for any of its corporate purposes provided that (a) no Event of Default, or event which with the passage of time or giving of notice, or both, would become an Event of Default, has occurred and is continuing or (b) there has not occurred a drawing of funds from the Debt Service Reserve Fund that has not been repaid by the Participant as required by the Loan Agreement or the Series Resolution.

The Participant agrees to direct the payment of Pledged Revenues, otherwise payable to the Participant, to the Authority for deposit in the Debt Service Fund. Pursuant to the Act and the Intercept Agreement, the Participant has assigned and pledged to the Authority the Pledged Revenues. In addition to the Intercept Agreement, the Participant agrees to execute and deliver, from time to time, such additional documents as may be required by the Authority, the Trustee, OPWDD, the State, a political subdivision (as defined in Section 100 of the General Municipal Law), or any social services district in the State, to authorize or implement such payment of Pledged Revenues to the Authority or the Trustee in an amount sufficient to pay all amounts required to be paid under the Loan Agreement. The Participant further acknowledges that OPWDD and all State and local officers are authorized and required to pay any Pledged Revenues so assigned and pledged to the Authority in accordance with the Loan Agreement. The Authority may periodically file a certificate with OPWDD, the State, a political subdivision (as defined in Section 100 of the General Municipal Law), or any social services district in the State setting forth the amount of Pledged Revenues required to be paid to satisfy the obligations of the Participant under the Loan Agreement, which certificate may be amended by the Authority from time to time. Copies of said certificate and any amendments thereto filed pursuant to this paragraph shall be delivered to the Trustee and the Participant.

Unless and until an event described in the Loan Agreement as described in the second paragraph above shall have occurred, the Authority waives its right to collect those amounts payable to the Authority pursuant to the Loan Agreement as described in the paragraph above. Upon the occurrence of an event described in Loan Agreement as described in the second paragraph above, the Authority may, in addition to all other remedies available to it pursuant to the Loan Agreement, cause the Pledged Revenues to be deducted, withheld or paid directly to the Authority or the Trustee, as appropriate, in an amount sufficient to make all payments required to be made by the Participant under the Loan Agreement.

(Section 12)

Mortgage; Lien on Fixtures and Equipment

With respect to each Project Property which is owned by the Participant, at or before the delivery by the Authority of the Bonds, the Participant shall execute and deliver to the Authority the Mortgage, in recordable form, mortgaging the Mortgaged Property to the Authority, subject only to Permitted Encumbrances. As further security for the obligations and liabilities of the Participant under the Loan Agreement, the Participant shall grant the Authority a security interest in such fixtures, furnishings and equipment owned by the Participant which then are or thereafter will be located in or on any Mortgaged Property, together with all proceeds thereof and substitutions therefor. Such security interest in such fixtures, furnishings and equipment shall be subject only to Permitted Encumbrances.

With respect to each Project Property which is leased by the Participant, the Participant grants by the Loan Agreement the Authority a security interest in all furnishings and equipment located in or on or used or to be used in connection with the Project Property, excepting and excluding therefrom any furnishings and equipment held or used by the Participant as a lessee and any furnishings and equipment during the time when such furnishings and equipment are covered by perfected purchase money security interests in third parties. With respect to such furnishings and equipment in which a security interest is granted by the Loan Agreement, the Loan Agreement constitutes a “security agreement” within the meaning of the Uniform Commercial Code. Upon the occurrence of an Event of Default under the Loan Agreement, the Authority, in addition to any other rights and remedies which it may have, shall have and may exercise immediately and without demand, any and all rights and remedies granted to a secured party upon default under the Uniform Commercial Code.

Prior to any assignment of the Mortgage to the Trustee in accordance with the terms of the Resolution, the Authority, without the consent of the Trustee or the Holders of Bonds, may consent to the amendment, modification, termination, subordination or satisfaction of the Mortgage and of any security interest in fixtures or equipment located in or on or used in connection with the Mortgaged Property and the property subject to the Mortgage or security interest may be released from the lien thereof, all upon such terms and conditions as the Authority may reasonably require. Notwithstanding the foregoing, the Participant may remove fixtures or equipment from the Mortgaged Property provided that the Participant shall replace such fixtures or equipment with fixtures or equipment having equivalent value and utility.

(Section 13)

Warranty as to Title; Encumbrances; Title Insurance

The Participant warrants and represents to the Authority that (i) it has good and marketable title to the Project and all Project 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 Participant’s programs and (ii) the Participant has such rights of way, easements or other rights in land as may be reasonably necessary for ingress and egress to and from the Project and all Project Property, for proper operation and utilization of such Project and such Project Property and for utilities required to serve such Project and such Project Property, together with such rights of way, easements or other rights in, to and over land as may be necessary for construction by the Participant of each such Project.

The Participant covenants that title to the Project and all Project Property shall be kept free from any encumbrances, liens or commitments of any kind, other than Permitted Encumbrances.

The Participant warrants, represents and covenants that (i) the Project and all Project 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, such Project and Project Property shall have its own separate and independent means of access, apart from any other property owned by the Participant or others. Such access, however, may be through common roads or walks owned by the Participant used also for other parcels owned by the Participant.

(Section 14)

Consent to Pledge and Assignment by the Authority

The Participant consents to and authorizes the assignment, transfer or pledge by the Authority to the Trustee of the Authority’s rights to receive the payments required to be made pursuant to the Loan Agreement as described in paragraphs (c), (e), and (h) under the heading “Financial Obligations of the Participant; General and Unconditional Obligations; Voluntary Payments” above, any or all security interests granted by the Participant under the Loan Agreement, including without limitation the security interest in the Pledged Revenues and the Permitted Investments delivered pursuant to the Loan Agreement and all funds and accounts established by the Resolution (other than the Arbitrage Rebate Fund) and pledged under the Resolution in each case to secure any payment or the performance of any obligation of the Participant under the Loan Agreement or arising out of the transactions contemplated by the Loan Agreement whether or not the right to enforce such payment or performance shall be specifically assigned by the Authority to the Trustee. The Participant further agrees that the Authority may pledge

and assign to the Trustee 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 authorized by the Loan Agreement, the Trustee 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 thereby or by law, any of such rights directly in its own name. Any such pledge and assignment shall be limited to securing the Participant's obligations to make all payments required by the Loan Agreement and to performing all other obligations required to be performed by the Participant thereunder. Any realization upon any pledge made or security interest granted by the Loan Agreement shall not, by operation of law or otherwise, result in cancellation or termination thereof or the obligations of the Participant thereunder.

The Participant covenants, warrants and represents that it is duly authorized by all applicable laws, its charter or certificate of incorporation and by laws to enter into the Loan Agreement, to incur the indebtedness contemplated by the Loan Agreement, to pledge, grant a security interest in and assign to the Authority and the Trustee, for the benefit of the Bondholders, the Pledged Revenues and the Permitted Investments delivered pursuant to the Loan Agreement in the manner and to the extent provided therein and in the Resolution. The Participant 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, granted or made pursuant to the Loan Agreement 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 Prior Pledges and the Permitted Encumbrances, and that all corporate action on the part of the Participant and any parties related thereto, to that end has been duly and validly taken. The Participant further covenants that the provisions of the Loan Agreement are and shall be valid and legally enforceable obligations of the Participant in accordance with their terms. The Participant 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 Pledged Revenues, Permitted Investments and Reserve Fund Facility delivered pursuant to the Loan Agreement and all of the rights of the Authority and Trustee for the benefit of the Bondholders under the Loan Agreement, under the Series Resolution, under the Resolution and under the Intercept Agreement against all claims and demands of all persons whomsoever. The Participant further covenants, warrants and represents that the execution and delivery of the Loan Agreement and of the Intercept Agreement, and the consummation of the transactions contemplated and compliance with the provisions thereof, including, but not limited to, the assignment as security or the granting of a security interest in the Permitted Investments delivered to the Trustee pursuant to the Loan Agreement, 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 certificate of incorporation or by laws of the Participant (or any party related thereto) or any indenture or mortgage, or any trusts, endowments or other commitments or agreements to which the Participant (or any party related thereto) is party or by which it or any of its or their properties are bound, or any existing law, rule, regulation, judgment, order, writ, injunction or decree of any governmental authority, body, agency or other instrumentality or court having jurisdiction over the Participant, any party related thereto or any of its or their properties.

(Section 15)

Tax-Exempt Status

The Participant 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 to that effect, (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 Participant 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 Participant as an 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 and the Project Property to be used in any manner, or for any trade or business or other non exempt use unrelated to the purposes of the Participant, which could adversely affect the exclusion of interest on the Subseries 2011A-1 Bonds from federal gross income pursuant to Section 103 of the Code.

(Section 16)

Use of the Project; Restrictions on Religious Use

The Participant agrees that, unless in the opinion of Bond Counsel the Project may be occupied or used other than as required by the Loan Agreement as described under this heading, at least ninety-five percent (95%) of the Project shall be occupied or used primarily by the Participant or members of the staff of the Participant or residents of the Project, as applicable, for activities related to the tax-exempt purposes of the Participant, or, on a temporary basis, persons connected with activities incidental to the operations of the Participant, subject to and consistent with the requirements of the Loan Agreement as described under this heading.

Subject to the rights, duties and remedies of the Authority under the Loan Agreement, the Participant shall have sole and exclusive control of, possession of and responsibility for (i) the Project and all Project Property, (ii) the operation of the Project and all Project 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 Project Property.

The Participant agrees that with respect to the Project or any portion thereof, so long as such Project or portion thereof exists and unless and until such Project or portion thereof is sold for the fair market value thereof, such Project or any portion thereof shall not be used for sectarian religious instruction 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 hereafter, 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 such Project and each portion thereof. The Authority and its agents may conduct such inspections as the Authority deems necessary to determine whether the Project or any portion of real property thereof financed by Bonds is being used for any purpose proscribed by the Loan Agreement. The Participant further agrees that prior to any disposition of any portion of the Project for less than fair market value, it shall execute and record (or cause to be executed and recorded) in the appropriate real property records an instrument subjecting, to the satisfaction of the Authority, the use of such portion of such Project to the restriction that (i) so long as such portion of such Project (and, if included in such Project, the real property on or in which such portion of such Project is situated) shall exist and (ii) until such portion of such 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 such Project shall not be used for sectarian religious instruction 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 such Project, or, if included in such 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 of this heading 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.

(Sections 20 and 21)

Covenant as to Insurance

The Participant agrees to maintain or cause to be maintained insurance with insurance companies or by means of self-insurance, insurance of such type, against such risks and in such amounts as are customarily carried by organizations located in the State of a nature similar to that of the Participant, which insurance shall include property damage, fire and extended coverage, public liability and property damage liability insurance in amounts estimated to indemnify the reasonably anticipated damage, loss or liability, subject to reasonable deductible provisions. The Participant shall at all times also maintain worker's compensation coverage and disability benefits insurance coverage as required by the laws of the State.

(Section 23)

Damage or Condemnation

In the event of a taking of the Project or the Project Property or any portion thereof by eminent domain or of condemnation, damage or destruction affecting all or part of the Project or the Project 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 Participant or the Authority to the Trustee for deposit in the Applicable Project Loan Account of the Project Loan Fund, and

(a) if within 120 days from the receipt by the Authority of actual notice or knowledge of such occurrence, the Participant and the Authority agree in writing that the Project, the Project Property or the affected portion thereof shall be repaired, replaced or restored, the Participant shall proceed to repair, replace or restore the Project, the Project Property or the affected portion thereof, including all fixtures, furniture, equipment and effects, to its original condition insofar as possible with such changes and additions as shall be appropriate to the needs of the Participant and approved in writing by the Authority. 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 may reasonably impose, from the proceeds of insurance, condemnation or eminent domain awards received by reason of such occurrence or from funds to be provided by the Participant; or

(b) if no agreement for the repair, restoration or replacement of the Project, the Project Property or the affected portion thereof shall be reached by the Authority and the Participant 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 Series Resolution) shall be transferred from the Applicable Project Loan Account of the Project Loan Fund in which such proceeds were deposited to the Applicable Debt Service Account of 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 Participant shall pay or cause to be paid 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 Project Property or any part thereof, and upon all ordinary costs of operating, maintaining, renovating, repairing and replacing the Project and the Project Property and its equipment. The Participant shall file or cause to be filed exemption certificates as required by Governmental Requirements. The Participant agrees to exhibit 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 Participant deposits with the Authority the full amount of such contested impositions. Notwithstanding the foregoing, the Authority, in its sole discretion, after notice in writing to the Participant, may pay (such payment shall be made under protest if so requested by the Participant) any such charges, taxes and assessments if, in the reasonable judgment of the Authority, the Project or the Project Property, or any part thereof, would be in substantial danger by reason of the Participant'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, under the Series Resolution, under the Resolution or under the Mortgage; (ii) the ability of the Authority to enforce its rights under the Loan Agreement or thereunder; (iii) the ability of the Authority to fulfill the terms of any covenants or perform any of its obligations under the Loan Agreement, under the Series Resolution or under the Resolution; or (iv) the ability of the Participant to fulfill the terms of the covenants or perform any of its obligations under the Loan Agreement, under the Series Resolution, and the Participant 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)

Reports Relating to the Project or the Mortgaged Property and Financial Information

The Participant shall, if and when requested by the Authority, render to the Authority and the Trustee reports with respect to all repairs, replacements, renovations, and maintenance made to the Project or the Project Property. In addition, the Participant shall, if and when requested by the Authority, render such other reports concerning the condition of the Project or the Project Property as the Authority may request. The Participant shall also furnish annually, not later than one hundred and eighty (180) days after the end of the Participant's Fiscal Year, to the Trustee, the Program Facilitator, the Underwriter, the Authority and to such other parties as the Authority may reasonably designate, including rating services, copies of its financial statements audited by an independent public accountant selected by the Participant and acceptable to the Authority and prepared in conformity with generally accepted accounting principles applied on a consistent basis, except that such audited financial statements may contain such changes as are concurred in by such accountants, and such other statements, reports and schedules describing the finances, operation and management of the Participant and such other information as may be reasonably required by the Authority.

Furthermore, the Participant shall also furnish annually, not later than one hundred and eighty (180) days after the end of the Participant's Fiscal Year, to the Authority, the Underwriter and the Trustee a certificate of an Authorized Officer of the Participant stating whether the Participant is in compliance with the provisions the Loan Agreement.

(Section 26)

Defaults and Remedies

As used in the Loan Agreement, the term "Event of Default" shall mean:

(a) the Participant shall default in the timely payment of any amount payable pursuant to the Loan Agreement as described under the heading "Financial Obligations of the Participant; General and Unconditional Obligation; Voluntary Payments" or in the payment of any other amounts required to be delivered or paid in accordance with the Loan Agreement, the Series Resolution or the Resolution or in the timely payment of any amount payable pursuant to any loan agreement with the Authority or any agreement with any lender with respect to the Project Property or Public Funds, and such default continues for a period in excess of seven (7) days;

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

(c) as a result of any default in payment or performance required of the Participant 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 Participant shall have violated the applicable provisions of regulations or the covenants set forth in the Loan Agreement with respect to compliance with all Government Requirements or shall fail to continue to operate the Project Property as a certified program for the developmentally disabled in accordance with a valid operating certificate duly issued by OPWDD, and the Participant, subsequent to 15 days after written notice shall have been given to the Participant by OPWDD or the Authority requiring the same to be remedied, fails to remedy such violation or such failure to operate such certified program;

(e) the Participant 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 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 Participant, 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 Participant, or any petition for any such relief shall be filed against the Participant and such petition shall not be dismissed within ninety (90) days;

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

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

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

(j) a petition shall be filed with a court having jurisdiction for an order directing the sale, disposition or distribution of all or substantially all of the property belonging to the Participant which petition shall remain undismissed or unstayed for an aggregate of ninety (90) days;

(k) an order of a court having jurisdiction shall be made directing the sale, disposition or distribution of all or substantially all of the property belonging to the Participant, which order shall remain undismissed or unstayed for an aggregate of thirty (30) days;

(l) 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 Participant and at any time after forty-five (45) days from the entry thereof, (i) such judgment shall not have been discharged or (ii) the Participant 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 for the enforcement thereof, to have been stayed pending determination of such appeal; or

(m) the Participant shall default in the payment of any indebtedness or guaranty aggregating at least \$500,000 when due, or shall default in the performance of any other obligations in connection with any indebtedness or guaranty aggregating at least \$500,000 which default entitles the holder of such indebtedness or guaranty to accelerate the Participant's obligations thereunder.

Upon the occurrence of an Event of Default the Authority may take any one or more of the following actions:

(a) declare all sums payable by the Participant 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 the Loan or the Applicable Project Loan Account of the Project Loan Fund or otherwise to which the Participant 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 Participant under the Loan Agreement to recover any sums payable by the Participant or to require its compliance with the terms of the Loan Agreement;

Appendix E

(e) permit, direct or request the Trustee to liquidate all or any portion of the assets comprising the Participant's Allocable Portion of the Debt Service Reserve Fund by selling the same at public or private sale in any commercially reasonable manner and apply the proceeds thereof and any dividends or interest received on investments thereof to the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of and interest on the Participant's Allocable Portion of the Bonds, or any other obligation or liability of the Participant or the Authority arising herefrom, from the Series Resolution or from the Resolution;

(f) realize upon any security interest which the Authority may then have in the pledge and assignment of the Pledged Revenues and the rights to receive the same, whether pursuant to the Intercept Agreement or otherwise, all to the extent provided in the Loan Agreement as described under the headings "Security Interest in Pledged Revenues" and "Collection of Pledged Revenues" above, by any one or more of the following actions: (i) enter the Project or the property of the Participant and examine and make copies of the financial books and records of the Participant relating to the Pledged Revenues and, to the extent of the assigned Pledged Revenues, take possession of all checks or other orders for payment of money and moneys in the possession of the Participant representing Pledged Revenues or proceeds thereof; (ii) [Reserved]; (iii) [Reserved]; (iv) require the Participant to deposit all moneys, checks or other orders for the payment of money which represent Pledged Revenues in an amount equal to the Pledged Revenues assigned under the Loan Agreement within five (5) Business Days after receipt of written notice of such requirement, and thereafter as received, into a fund or account to be established for such purpose by the Authority, provided that the moneys in such fund or account shall be applied by the Authority to the payment of any of the obligations of the Participant under the Loan Agreement including the fees and expenses of the Authority; and provided further that the Authority in its sole discretion may authorize the Participant to make withdrawals from such fund or account for its corporate purposes; and provided further that the requirement to make such deposits shall cease and the balance of such fund or account shall be paid to the Participant when all Events of Default under the Loan Agreement by the Participant have been cured; (v) forbid the Participant to extend, compromise, compound or settle any accounts receivable or contract rights which represent any unpaid assigned Pledged Revenues, or release, wholly or partly, any Person liable for the payment thereof (except upon receipt of the full amount due) or allow any credit or discount thereon; (vi) endorse in the name of the Participant any checks or other orders for the payment of money representing any unpaid assigned Pledged Revenues or the proceeds thereof; and (vii) follow the procedures for the collection of Pledged Revenues as provided in the Act and in the Loan Agreement as described under the heading "Collection of Pledged Revenues" above;

(g) if applicable and to the extent permitted by law, (i) enter upon the Project and complete the construction of such Project in accordance with the plans and specifications with such changes therein as the Authority may deem appropriate and employ watchmen to protect such Project, all at the risk, cost and expense of the Participant, consent to such entry being given by the Participant; (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 Participant 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 Participant in any way relating to the construction of the Project and take over and use all or any part of the labor, materials, supplies and equipment contracted for by the Participant, whether or not previously incorporated into the construction of the Project; and (iv) in connection with the construction of the Project undertaken by the Authority pursuant to the provisions of this paragraph (g), (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 the 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 Participant 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 (g) 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 Participant to the Authority upon demand. The Participant 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 Participant for the purpose of exercising the rights granted to the Authority by this subparagraph during the term of the Loan Agreement;

(h) request OPWDD, in accordance with applicable statutes and regulations, to enter the Project, or replace the Participant with another operator, to take possession without judicial action of all real property contained in such Project and all personal property located in or on or used in connection with the Project, including furnishings and equipment thereon, and further including Pledged Revenues and cause to be operated thereon a certified program for the developmentally disabled within the Project Property in accordance with a valid operating certificate duly issued by OPWDD;

(i) require the Participant to engage, at the Participant's expense, a Management Consultant to review the rates, operations and management of the Participant and any other matter deemed appropriate by the Authority and make recommendations with respect to such rates, operations, management and other matters; and

(j) take any legal or equitable 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.

All rights and remedies in the Loan Agreement given or granted to the Authority 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.

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) 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.

In the event of an Event of Default under the Loan Agreement as described in paragraph (d), (e), (f), (g), (h), (i), (j), (k) or (l) above shall have occurred and be continuing with respect to the Participant, or in the event that OPWDD shall have revoked the Participant's license to operate as a qualified operator, the Participant shall exercise best efforts in accordance with all applicable laws and regulations, to facilitate the continued availability of its respective facilities for the benefit of its clients and patients including but not limited to cooperating with any OPWDD qualified service provider in order to permit such service provider to assume the Participant's liabilities and obligations to provide benefits to such clients and patients. In furtherance of such purposes the Participant agrees to cooperate with all State regulatory agencies and acknowledges that the Authority's enforcement of such cooperation constitutes an exercise of the police powers of the State for the public good of the citizens of the State.

(Section 29)

Arbitrage

The Participant covenants that it shall take no action, nor shall it consent to the taking of any action, nor shall it fail to take any action or consent to the failure to take any action, the making of any investment or the use of the Loan, which would cause the Subseries 2011A-1 Bonds of any Series to be "arbitrage bonds" within the meaning of Section 148(a) of the Code, and any proposed or final regulations thereunder as are applicable to the Bonds at the time of such action, investment or use. The Participant (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 Participant by the Authority. The Participant will, on a timely basis, provide the Authority with all necessary information and funds not in the Authority's possession, to enable the Authority to comply with the arbitrage and rebate requirements of the Code as identified in the Resolution. The Participant shall be required to pay for any consultant or report necessary to satisfy any such arbitrage and rebate requirement.

(Section 40)

Financial Covenants

Rate Covenant

The Participant covenants that it has maintained in its current Fiscal Year and it will maintain in each Fiscal Year subsequent to the date of delivery of the Loan Agreement Total Net Revenues Available for Debt Service sufficient to produce in each Fiscal Year a Total Debt Service Coverage Ratio of not less than 1.00 to 1.00.

Additional Indebtedness

The Participant may not incur any additional Indebtedness (including, but not limited to, guarantees or derivatives in the form of credit default swaps or total-rate-of-return swaps or similar instruments), without the prior written consent of the Authority, except for the following:

(a) Indebtedness (other than for working capital, other than installment purchase payments payable under installment sale agreements and other than rents payable under lease agreements) incurred in the ordinary course of the Participant's business for its current operations including the maintenance and repair of its property, advances from third party payors and obligations under reasonably necessary employment contracts,

(b) Indebtedness in the form of rentals under leases which are not required to be capitalized in accordance with generally accepted accounting principles in effect on the date of issuance of the Bonds,

(c) Indebtedness in which recourse to the Participant for repayment is expressly limited to proceeds from the sale, lease or foreclosure of any tangible property of the Participant other than the Project Property,

(d) Non-PPA Indebtedness to the extent that the Participant has delivered to the Authority and the Trustee a certificate signed by the Participant's chief executive officer or chief financial officer demonstrating a Total Debt Service Coverage Ratio of not less than 1.25 to 1.00 for the most recent Fiscal Year for which audited financial statements exist. In preparing its calculations of the required ratios, the Participant's representative or the independent certified public accountant, as applicable, shall include the proposed debt service requirements with respect to the Non-PPA Indebtedness to be issued,

(e) Indebtedness to finance a PPA Facility, and

(f) short-term Indebtedness for working capital purposes, provided, however, that such Indebtedness may be secured by no more than ninety percent (90%) of the Participant's Accounts Receivables.

(Exhibit E)

APPENDIX F

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS

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SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS

The following is a brief summary of certain provisions of the Resolution and the Series 2011A Resolution (collectively, the “Resolutions”). This summary does not purport to be complete and reference is made to the Resolutions for full and complete statements of such and all provisions. 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

It is the intent of the Resolution to authorize the issuance by the Authority, from time to time, of its InterAgency Council Pooled Loan Program Revenue Bonds in one or more Series, each such Series to be authorized by a separate Series Resolution and, *inter alia*, to be separately secured from each other Series of Bonds. Each such Series of Bonds shall be separate and apart from any other Series of Bonds authorized by a different Series Resolution and the Holders of Bonds of such Series shall not be entitled to the rights and benefits conferred upon the Holders of Bonds of any other Series of Bonds by the respective Series Resolution authorizing such Series of Bonds. With respect to each Series of Bonds, in consideration of the purchase and acceptance of any and all of the Bonds of a Series authorized to be issued under the Resolution and under a Series Resolution by those who shall hold or own the same from time to time, the Resolution and any Applicable Series Resolution shall be deemed to be and shall constitute a contract among the Authority, the Trustee and the Holders from time to time of the Bonds of such Series, and the pledge and assignment made in the Resolution and the covenants and agreements set forth to be performed by or on behalf of the Authority shall be for the equal and ratable benefit, protection and security of the Holders of any and all of the Bonds of such Series, all of which, regardless of the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any Bonds of such Series over any other Bonds of such Series except as expressly provided in the Resolution or permitted by the Resolution or by a Series Resolution.

(Section 1.03)

Assignment of Certain Rights and Remedies to the Trustee: Assignment of Mortgages

With respect to each Series of Bonds, as security for the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of, and interest on, the Outstanding Bonds of such Series and for the performance of each other obligation of the Authority under the Resolution and under an Applicable Series Resolution, the Authority may grant, pledge and assign to the Trustee all of the Authority’s estate, right, title, interest and claim in, to and under any and all of the Applicable Loan Agreements and any Applicable Mortgage, together with all rights, powers, security interests, privileges, options and other benefits of the Authority under any such Loan Agreement and such Mortgage, including, without limitation, the immediate and continuing right to receive, enforce and collect (and to apply the same in accordance herewith and with the Applicable Series Resolution) all Revenues, insurance proceeds, sales proceeds and other payments and other security now or hereafter payable to or receivable by the Authority under any such Loan Agreement or Mortgage, and the right to make all waivers and agreements in the name and on behalf of the Authority, as agent and attorney-in-fact, and to perform all other necessary and appropriate acts under any such Loan Agreement or Mortgage, subject to the following conditions: (a) that the Holders of such 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; (b) that, unless and until the Trustee is assigned such Loan Agreement or Mortgage, and further, unless and until (i) an “Event of Default” (as defined in such Loan Agreement) shall have occurred and be continuing under such Loan Agreement, and (ii) the Trustee in its discretion shall so elect by instrument in writing delivered to the Authority and the Applicable Participant, the Trustee shall not be responsible or liable in any manner or to any extent for the performance of any of the covenants or provisions contained in such Loan Agreement or Mortgage to be performed by the Authority (except to the extent of actions undertaken by the Trustee in the course of its performance of any such covenant or provision); and (c) that such Mortgage may not be assigned by any party thereto without the written consent of the other parties thereto except to such Trustee as permitted by the Resolution; *provided, however*, that any grant, pledge and assignment of moneys, revenues, accounts, rights or other property of a Participant made with respect to such Loan Agreement or Mortgage pursuant to this paragraph shall secure only the payment of the amounts payable under such Loan Agreement and Mortgage. Until such time as such Loan Agreement and Mortgage are assigned to the Trustee and the Trustee shall make the election provided for in this

paragraph, the Authority shall remain liable to observe and perform all the conditions and covenants in such Loan Agreement or Mortgage to be observed and performed by it.

Upon the happening of (a) any withdrawal from any Participant's Allocable Portion of the Debt Service Reserve Fund, if any, securing such Participant's Allocable Portion of the Applicable Series of Bonds which has not been restored to such Participant's Allocable Portion of the Debt Service Reserve Fund Requirement within thirty (30) days after notice given in accordance with the Applicable Series Resolution has been received by the Authority, or (b) the occurrence of an event of default specified in paragraph (d) of under the caption "*Events of Default*" in this Appendix F, the Authority shall assign to the Trustee for the benefit of the Bondholders of the Applicable Series all of its right, title and interest in and to the Mortgage, if any, of said non-performing Participant and in and to the rights of the Authority under the Applicable Loan Agreement to exercise any of the remedies provided thereby for the enforcement of the obligations of such Participant to make the payments thereunder, including the right to declare the indebtedness and all Loan Repayments thereunder immediately due and payable and to foreclose the lien of such Mortgage, as applicable; *provided, however*, that the Authority may retain the right to the payment of the fees, costs and expenses of the Authority payable pursuant to the Applicable Loan Agreement, the right to the indemnities provided thereby, the right to the payments, if any, required to be made pursuant to such indemnities and the right to exercise any of the remedies available thereunder for the enforcement of the obligations of such Participant, the rights to which have been retained by the Authority. Such assignment shall be made by the execution and delivery to the Trustee of documents of assignment in form and substance reasonably acceptable to the Trustee. If prior to the foreclosure of any such Mortgage, such Debt Service Reserve Fund has been restored to its Debt Service Reserve Fund Requirement, the Trustee shall, upon the request of the Authority, reassign to the Authority all right, title and interest in and to such Loan Agreement and said Mortgage assigned to it pursuant to this paragraph. Any such reassignment shall be made by the execution and delivery to the Authority of documents of reassignment in form and substance reasonably acceptable to the Authority.

In the event the Authority grants, pledges and assigns to the Trustee any of its rights as provided in above, the Trustee shall accept such grant, pledge and assignment, which acceptance shall be evidenced in writing and signed by an Authorized Officer of the Trustee..

(Section 1.04)

Additional Obligations

The Authority reserves the right to issue bonds, notes or any other obligations or otherwise incur indebtedness pursuant to other and separate resolutions or agreements of the Authority, so long as such bonds, notes or other obligations are not, or such other indebtedness is not, except as provided in the Resolution, entitled to a charge, lien or right prior or equal to the charge or lien created by the Resolution and pursuant to a Series Resolution, or prior or equal to the rights of the Authority and Holders of Bonds of the Applicable Series of Bonds provided by the Resolution or with respect to the moneys pledged under the Resolution or pursuant to a Series Resolution.

(Section 2.05)

Pledge of Revenues

Subject to the provisions of the first paragraph under the caption "*Limitation on Revenues and Security Available for Payments After Certain Defaults; Priority of Payments After Default; Cancellation and Replacement of Certain Bonds*" in this Appendix F, the proceeds from the sale of a Series of Bonds, the Applicable Revenues, the Authority's security interest in the Applicable Pledged Revenues and all funds and accounts authorized by the Resolution and established pursuant to an Applicable Series Resolution, other than the Arbitrage Rebate Fund, are by the Resolution, subject to the terms of the Applicable Series Resolution, pledged 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 such Series of Bonds and as security for the performance of any other obligation of the Authority under the Resolution and under the Applicable Series Resolution, all in accordance with the provisions of the Resolution and the terms of the Applicable Series Resolution. Unless otherwise provided in the Applicable Series Resolution, the pledge made by the Resolution shall relate only to the Bonds of a Series authorized by the Applicable Series

Resolution and no other Series of Bonds and such pledge shall not secure any other Series of Bonds. The pledge made by the Resolution is valid, binding and perfected from the time when the pledge attaches and the proceeds of the sale of such Series of Bonds, the Applicable Revenues, the Authority's security interest in the Applicable Pledged Revenues and all funds and accounts authorized by the Resolution and established pursuant to the Applicable 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. Subject to the provisions of the first paragraph under the caption "*Limitation on Revenues and Security Available for Payments After Certain Defaults; Priority of Payments After Default; Cancellation and Replacement of Certain Bonds*" in this Appendix F, each Series of Bonds shall be special obligations of the Authority payable solely from and secured by a pledge of the proceeds from the sale of such Series of Bonds, the Applicable Revenues, the Authority's security interest in the Applicable Pledged Revenues and the funds and accounts established by the Resolution and pursuant to the Applicable Series Resolution, which pledge shall constitute a first lien thereon, subject only, with respect to such Applicable Pledged Revenues, to the Prior Pledges.

(Section 5.01)

Establishment of Funds and Accounts

Unless otherwise provided by the Applicable Series Resolution, the following funds are authorized to be established and shall be held and maintained for each Series of Bonds by the Trustee separate and apart from any other funds and accounts established and maintained pursuant to any other Series Resolution:

Project Loan Fund;
Debt Service Fund; and
Arbitrage Rebate Fund.

In addition to the funds and accounts listed above, the Series 2011A Resolution establishes a Debt Service Reserve Fund to be held and maintained by the Trustee with respect to the Series 2011A Bonds.

Accounts and subaccounts within each of the foregoing funds may from time to time be established in accordance with an Applicable Series Resolution, an Applicable Bond Series Certificate or upon the direction of the Authority, including in the Project Loan Fund, separate Project Loan Accounts, and in the Debt Service Fund, separate Debt Service Accounts, in each case, for each Applicable Participant and Loan. All moneys at any time deposited in any fund, account or subaccount created and pledged by the Resolution or by a Series Resolution or required by the Resolution or thereby to be created shall be held in trust for the benefit of the Holders of the Applicable Series of Bonds, but shall nevertheless be disbursed, allocated and applied solely for the uses and purposes provided herein, unless otherwise provided in the Applicable Series Resolution.

All references in the Resolution to the Project Loan Fund, the Debt Service Fund, the Arbitrage Rebate Fund or the Debt Service Reserve Fund shall mean the particular Project Loan Fund, Debt Service Fund, Arbitrage Rebate Fund or Debt Service Reserve Fund designated and established by the Authority with respect to a particular Series of Bonds in the Applicable Series Resolution or in the Applicable Bond Series Certificate as authorized by the Resolution.

(Section 5.02 of the Resolution and Section 5.01 of the Series 2011A Resolution)

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 herein and in the Applicable Series Resolution or the Applicable Bond Series Certificate.

Accrued interest, if any, received upon the delivery of a Series of Bonds shall be deposited in the Applicable Debt Service Account in Debt Service Fund unless all or any portion of such amount is to be otherwise applied as specified in the Applicable Series Resolution or the Applicable Bond Series Certificate.

(Section 5.03)

Application of Moneys in the Project Loan Fund

The Authority shall apply moneys in each of the Project Loan Accounts established in the Project Loan Fund for the purpose of making Loans to the Participants in accordance with the Loan Agreements. Proceeds of each such Loan shall be held in a separate Project Loan Account established with respect to each Applicable Participant and shall be disbursed for the purposes as set forth in the Applicable Series Resolution, the Applicable Bond Series Certificate or Applicable Loan Agreement. The Allocable Portion of the Debt Service Reserve Fund Requirement, if any, and of the Costs of Issuance funded from proceeds of a Series of Bonds shall be accounted for separately for each Participant, and the total amount of the Loan to each Participant shall include such Allocable Portions. In addition, the Authority shall remit to the Trustee and the Trustee shall deposit in the Applicable Project Loan Account in the Project Loan Fund any moneys paid or instruments payable to the Authority derived from insurance proceeds or condemnation awards from any Applicable Project.

Except as otherwise provided in the Resolution and the Applicable Series Resolution or the Applicable Bond Series Certificate, moneys deposited in a Project Loan Account in the Project Loan Fund shall be used only to pay the Costs of Issuance of the Applicable Series of Bonds and the Costs of the Project or Projects with respect to which such Applicable Series of Bonds were issued.

Payments for Costs of a Project 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. Such certificate or certificates shall be substantiated by a certificate filed with the Authority signed by an Authorized Officer of the Applicable Participant, 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 such Project except that payments to pay interest on an Applicable Series of Bonds shall be made by the Trustee upon receipt of, and in accordance with, the direction of an Authorized Officer of the Authority directing the Trustee to transfer such amount from the Applicable Project Loan Account in the Project Loan Fund to the Applicable Debt Service Account in the Debt Service Fund.

Any proceeds of insurance, condemnation or eminent domain awards received by the Trustee, the Authority or a Participant with respect to a particular Project or the Mortgaged Property shall be deposited in the Applicable Project Loan Account in the Project Loan Fund and, if necessary, such fund may be reestablished for such purpose and, if such proceeds are not used to repair, restore or replace such Project, transferred to the Applicable Debt Service Account of the Debt Service Fund for the redemption of the Applicable Series of Bonds or such portion thereof which corresponds to the Allocable Portion of the principal of and interest on the Loan made to fund such Project.

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

in the case of a certificate of an Authorized Officer of such Applicable Participant, shall specify the date of completion.

Upon receipt by the Trustee of the certificate relating to the completion of a Project, the moneys, if any, then remaining in the Applicable Project Loan Account, after making provision in accordance with the direction of the Authority for the payment of the Allocable Portion of the Costs of Issuance of the Applicable Series of Bonds and Costs of a Project then unpaid with respect to the Applicable Loan, shall be paid 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 which shall be an amount equal to such Participant's Allocable Portion of Arbitrage Rebate due to the United States Federal Government with respect to such Loan and the Applicable Series of Bonds;

SECOND: To the Debt Service Reserve Fund, if any, established in connection with the Applicable Series of Bonds, such amount as shall be necessary to make the amount on deposit in such Fund equal to such Participant's Allocable Portion of the Debt Service Reserve Fund Requirement established therefor; and

THIRD: Any balance remaining, to the Applicable Debt Service Account in the Debt Service Fund for the redemption or purchase, in accordance with this Resolution and the Applicable Series Resolution or Applicable Bond Series Certificate, of the Bonds of the Applicable Series or any portion thereof which corresponds to such Participant's Allocable Portion of the principal and interest on such Bonds.

(Section 5.04)

Deposit of Revenues and Allocation Thereof.

The Revenues and any other moneys which, by the provisions of each of the Loan Agreements are required to be deposited in separate Debt Service Accounts established in the Debt Service Fund with respect to each Loan made to a Participant, shall be deposited to the credit of the Applicable Debt Service Account of the Debt Service Fund.

To the extent not required to pay an Applicable Participant's Allocable Portion with respect to its Loan of (a) the interest becoming due on the Outstanding Bonds of the Applicable Series on the next succeeding interest payment date of such Bonds; (b)(i) in the case of amounts deposited in the respective Debt Service Account during the period from the beginning of each Bond Year until December 31 thereof, the amount necessary to pay one-half (1/2) of the principal and Sinking Fund Installments becoming due on the Outstanding Bonds of the Applicable Series on the next succeeding July 1; and (ii) in the case of amounts deposited in the respective Debt Service Accounts after December 31 in a Bond Year and until the end of such Bond Year, the amount necessary to pay the principal and Sinking Fund Installments becoming due on the Outstanding Bonds of the Applicable Series on such July 1; and (c) moneys which are required or have been set aside for the redemption of Bonds of the Applicable Series, then moneys (other than Contribution Amounts) in each of the respective Debt Service Accounts of the Debt Service Fund shall, with respect to each Applicable Participant and Applicable Loan, be paid by the Trustee, on or before the Business Day preceding each interest payment date for the Applicable Series of Bonds, as follows and in the following order of priority:

FIRST: To reimburse, *pro rata*, each Applicable Facility Provider which has issued a Reserve Fund Facility for moneys advanced thereunder relating to such Participant's Allocable Portion of the Debt Service Reserve Fund, if any, established with respect to such Applicable Series of Bonds, including interest thereon, in proportion to the respective amounts advanced by each such Facility Provider;

SECOND: To the Debt Service Reserve Fund, if any, (i) the amount, if any, necessary to make such Participant's Allocable Portion with respect to the Applicable Loan of the amount on deposit therein

equal to the Debt Service Reserve Fund Requirement established with respect to the Applicable Series of Bonds, and (ii) a portion of earnings accruing on amounts held in the Debt Service Fund as the Authority shall determine to be necessary together with other amounts and investments held in the Debt Service Reserve Fund to amortize the portion of the Applicable Series of Bonds, the proceeds of which have been credited to the Debt Service Reserve Fund; and

THIRD: To the Authority, unless otherwise paid, such amounts as are payable to the Authority relating to such Participant's Allocable Portion with respect to the Applicable Loan of: (i) expenditures of the Authority for fees and expenses of auditing, and fees and expenses of the Trustee and Applicable Paying Agent, all as required hereby, (ii) all other expenditures reasonably and necessarily incurred by the Authority in connection with the financing of the particular Project relating to such Loan, including expenses incurred by the Authority to compel full and punctual performance of all the provisions of the Applicable Loan Agreement or Mortgage in accordance with the terms thereof, and (iii) the Annual Administrative Fee of the Authority; but only upon receipt by the Trustee of a certificate of the Authority, stating in reasonable detail the amounts payable to the Authority pursuant to this paragraph THIRD.

After making the above required payments with respect to each Applicable Participant and Applicable Loan, any balance remaining in each of the respective Debt Service Accounts (except for Contribution Amounts which shall remain in such accounts) on the immediately succeeding July 1 shall be paid by the Trustee upon and in accordance with the direction of the Authority to the Applicable Participants in the respective amounts set forth in such direction, free and clear of any pledge, lien, encumbrance or security interest created hereby or by the Applicable Loan Agreements. The Trustee shall notify the Authority and such Participants promptly after making the payments required above of any balance remaining in the Debt Service Fund on the immediately succeeding July 1.

Notwithstanding the above provisions under this caption "*Deposit of Revenues and Allocation Thereof*" or of the provisions under the caption "*Debt Service Fund*" below in this Appendix F, the Authority may, at any time subsequent to July 1 of any Bond Year but in no event less than forty-five (45) days prior to the succeeding July 1 on which a Sinking Fund Installment is scheduled to be due, direct the Trustee to purchase, with moneys on deposit in the Debt Service Fund, at a price not in excess of par plus interest accrued and unpaid to the date of such purchase, Term Bonds of an Applicable Series to be redeemed from such Sinking Fund Installment. Any such Term Bond so purchased and any Term Bonds purchased by any Applicable Participant and delivered to the Trustee in accordance with any Loan Agreement shall be cancelled upon receipt thereof by the Trustee and evidence of such cancellation shall be given to the Authority. The principal amount of such Term Bond so cancelled shall be credited against the principal payment due on the Applicable Loan with respect to such Sinking Fund Installment on such first day of July; provided that such Term Bond is cancelled by the Trustee prior to the date on which notice of redemption is given.

(Section 5.05)

Debt Service Fund

(a) The Trustee shall on or before the Business Day preceding each interest payment date for Bonds of an Applicable Series pay, from each of the respective Debt Service Accounts of the Debt Service Fund, to itself and any other Paying Agent for the benefit of the Bondholders:

(i) the interest due on all Outstanding Bonds of an Applicable Series on such interest payment date;

(ii) the principal amount due on all Outstanding Bonds of an Applicable Series on such interest payment date;

(iii) the Sinking Fund Installments, if any, due on all Outstanding Bonds of an Applicable Series on such interest payment date; and

(iv) moneys required for the redemption of Bonds of an Applicable Series in accordance with the Resolution.

The amounts paid out pursuant to the provisions of the Resolution summarized herein shall be irrevocably pledged to and applied to such payments. Contribution Amounts with respect to an Applicable Participant and Applicable Loan shall be applied only to the payment of such Participant's Allocable Portion of the principal and Sinking Fund Installments due on Outstanding Bonds of an Applicable Series pursuant to subdivision (ii), (iii) and (iv) above.

(Section 5.06)

Application of Moneys in the Debt Service Fund for Redemption of Bonds.

Moneys delivered to the Trustee, which by the provisions of the Applicable Loan Agreement, the Applicable Series Resolution or the Resolution are to be applied to the redemption of a Participant's Allocable Portion of a Series of Bonds, shall upon receipt by the Trustee be deposited to the credit of the Applicable Debt Service Account in the Debt Service Fund for such purpose.

In accordance with the Resolution, in the event that on any interest payment date the amount in any Debt Service Account of the Debt Service Fund, exclusive of amounts therein deposited for the redemption of the Applicable Series of Bonds, shall be less than the amounts respectively required for payment of an Applicable Participant's Allocable Portion of interest on such Outstanding Bonds, for the payment of an Applicable Participant's Allocable Portion 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 Applicable Debt Service Account of 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 or to pay the purchase price of such Outstanding Bonds theretofore contracted to be purchased, including in both cases accrued interest on such Bonds to the date of redemption or purchase) *first*, to the payment of interest on such Bonds, and, *second*, to the payment of the principal or Sinking Fund Installments of such Bonds, respectively.

Subject to the provisions of the preceding paragraph, moneys in the Debt Service Fund to be used for redemption of Bonds of an Applicable Series shall be applied by the Trustee to the purchase of such 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.

Notwithstanding the provisions of the preceding paragraph, if the amount in a Debt Service Account (other than moneys on deposit therein required to pay the Applicable Participant's Allocable Portion of the Redemption Price of any Outstanding Bonds of the Applicable Series theretofore called for redemption or to pay such Applicable Participant's Allocable Portion of the purchase price of such Outstanding Bonds theretofore contracted to be purchased, including in both cases accrued interest on such Bonds to the date of redemption or purchase) shall at any time be sufficient to make provision for the payment of the Allocable Portion of the Outstanding Bonds of an Applicable Series relating to such Applicable Participant's Loan at the maturity or redemption date thereof, the Authority may request the Trustee to take such action as is required by the Resolution to deem certain of such Bonds or portions thereof to have been paid within the meaning of the Resolution. The Trustee, upon receipt of such request, the irrevocable instructions required by the Resolution and irrevocable instructions of the Authority to purchase Defeasance Obligations sufficient to make any deposit required thereby, shall comply with such request.

(Section 5.07)

Debt Service Reserve Fund

(a) The Debt Service Reserve Fund shall be maintained at an amount equal to the Debt Service Reserve Fund Requirement established therefor in the Bond Series Certificate. The Trustee shall deposit to the credit of each account established in the Debt Service Reserve Fund such proceeds of the sale of the Series 2011A Bonds or Permitted Investments in an amount sufficient to satisfy each Applicable Series 2011A Participant's Allocable Portion of the Debt Service Reserve Fund Requirement as set forth in the Applicable Bond Series Certificate. An Applicable Series 2011A Participant's Allocable Portion of a Debt Service Reserve Fund, together with any interest thereon, shall be replenished in accordance with the Applicable Loan Agreement following application thereof pursuant to paragraph (b) below.

In lieu of or in substitution for moneys or Permitted Investments otherwise required to be deposited in the Debt Service Reserve Fund, the Authority may deposit or cause to be deposited with the Trustee a Reserve Fund Facility for the benefit of the Holders of the Series 2011A Bonds for all or any part of the Debt Service Reserve Fund Requirement or any Applicable Series 2011A Participant's Allocable Portion thereof; provided that if such Reserve Fund Facility consists of a surety bond or insurance policy, any such Reserve Fund Facility shall be issued by an insurance company or association duly authorized to do business in the State (i) the claims paying ability of which is rated the highest rating accorded by a nationally recognized insurance rating agency or (ii) obligations supported by a Reserve Fund Facility issued by such company or association are rated at the time such Reserve Fund Facility is delivered, without regard to qualification of such rating by symbols such as "+" or "-" or numerical notation, in the highest rating category by Moody's and S&P or, if Outstanding Bonds of a Series are not rated by Moody's and S&P by whichever of said rating services that then rates Outstanding Bonds; and provided, further, that if the Reserve Fund Facility consists of a Letter of Credit, such Letter of Credit shall be issued by a bank, a trust company, a national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provision of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provision of law or a domestic branch 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, the unsecured or uncollateralized long term debt obligations of which, or long term obligations secured or supported by a Letter of Credit issued by such person, are rated at the time such Letter of Credit is delivered, without regard to qualification of such rating by symbols such as "+" or "-" or numerical notation, in at least the second highest rating category by Moody's and S&P or, if the Outstanding Series 2011A are not rated by Moody's and S&P by whichever of said rating services that then rates the Outstanding Series 2011A Bonds..

In addition to the conditions and requirements set forth above, no Reserve Fund Facility shall be deposited in full or partial satisfaction of the Debt Service Reserve Fund Requirement unless the Trustee shall have received prior to such deposit (i) an opinion of counsel acceptable to the Authority to the effect that such Reserve Fund Facility has been duly authorized, executed and delivered by the Facility Provider thereof and is valid, binding and enforceable in accordance with its terms, and (ii) in the event such Facility Provider is not a domestic entity, an opinion of foreign counsel in form and substance satisfactory to the Authority.

Each Reserve Fund Facility shall be payable (upon the giving of such notice as may be required thereby) on any date on which moneys are required to be withdrawn from the Debt Service Reserve Fund and such withdrawal cannot be made without (i) if the Reserve Fund Facility consists of a Letter of Credit, drawing upon the Letter of Credit, or (ii) if the Reserve Fund Facility consists of a surety bond or insurance policy, obtaining payment under such surety bond or insurance policy.

For the purposes of this section and, in computing the amount on deposit in the Debt Service Reserve Fund, a Reserve Fund Facility shall be valued at the amount available to be drawn or payable thereunder on the date of computation.

If, upon a valuation, the value of all moneys, Permitted Investments and Reserve Fund Facilities held for the credit of an Applicable Series 2011A Participant's Allocable Portion of a Debt Service Reserve Fund is less than such Applicable Series 2011A Participant's Allocable Portion of the Debt Service Reserve Fund Requirement, the Trustee shall immediately notify the Authority, each Applicable Facility Provider and the Applicable Series 2011A Participant of such deficiency. Such Applicable Series 2011A Participant shall, as soon as practicable, but in no

event later than five (5) days after receipt of such notice, deliver to the Trustee money or Permitted Investments the value of which is sufficient to increase the Applicable Series 2011A Participant's Allocable Portion of the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement.

(b) In the event that on the fourth (4th) Business Day preceding any interest payment date the amount on deposit in an Applicable Debt Service Account of a Debt Service Fund shall be insufficient to pay the Applicable Series 2011A Participant's Allocable Portion of, respectively, interest on the Outstanding Series 2011A Bonds, principal of such Outstanding Bonds, Sinking Fund Installments of such Outstanding Bonds due and payable on such interest payment date or the purchase price or Redemption Price of such Outstanding Bonds theretofore contracted to be purchased or called for redemption, plus accrued interest thereon to the date of purchase or redemption, the Trustee shall transfer funds from the Applicable Debt Service Reserve Account of the Debt Service Reserve Fund to the Applicable Debt Service Account of the Debt Service Fund in such amounts as shall be necessary to provide for such payments. The Trustee shall notify each Applicable Facility Provider, if any, of any withdrawal from the Debt Service Reserve Fund.

A Series 2011A Participant's Allocable Portion of the Debt Service Reserve Fund shall also be applied to the extraordinary mandatory redemption of the Allocable Portion of the Series 2011A Bonds upon the acceleration of such Series 2011A Participant's Loan pursuant to the Applicable Loan Agreement.

Upon the exercise by a Series 2011A Participant of its option to prepay its Loan under the Applicable Loan Agreement, the Trustee shall transfer such Applicable Participant's Allocable Portion of the Debt Service Reserve Fund to the Applicable Debt Service Account of the Debt Service Fund for application to payment of the portion of principal of and interest on the Applicable Subseries of Series 2011A Bonds which correspond to the principal of and interest on the Loan so prepaid.

(c) The Trustee, as promptly as practicable (i) after the end of each calendar month, (ii) upon the request of the Authority, (iii) upon the request of a Series 2011A Participant, but not more frequently than once a calendar month, and (iv) at such other times as may be necessary in connection with a withdrawal and deposit made pursuant to the Series 2011A Resolution or the Resolution, shall compute the value of the assets in the Debt Service Reserve Fund, in the case of the requirement under (i) above, on the last day of each such month, in the case of a request pursuant to (ii) or (iii) above, at the date of such request, or, in the case of a withdrawal and deposit, at the date of such withdrawal and deposit, and notify the Authority and such Series 2011A Participant as to the results of such computation and the amount by which the value of the assets in the Debt Service Reserve Fund exceeds or is less than the Debt Service Reserve Fund Requirement.

(Sections 5.03, 5.04 and 5.05 of the Series 2011A Resolution)

Arbitrage Rebate Fund

The Trustee shall deposit to the Applicable Account in the Arbitrage Rebate Fund any moneys delivered to it by each of the Applicable Participants for deposit therein and, notwithstanding any other provisions of the Resolution, shall transfer to the Arbitrage Rebate Fund, in accordance with the directions of the Authority, moneys on deposit in any other funds held by such Trustee under the Resolution at such times and in such amounts as shall be set forth in such directions.

Moneys on deposit in the Arbitrage Rebate Fund shall be applied by the Trustee in accordance with the direction of the Authority to make payments to the Department of the Treasury of the United States of America at such times and in such amounts as the Authority shall determine to be required by the Code to be rebated to the Department of the Treasury of the United States of America. Moneys which the Authority determines to be in excess of the amount required to be so rebated shall be deposited to the Debt Service Fund in accordance with the directions of the Authority..

If and to the extent required by the Code, the Authority shall periodically, at such times as may be required to comply with the Code, determine the amount of Excess Earnings with respect to an Applicable Series of Bonds and direct the Trustee to (i) transfer from the Applicable Account of any other of the funds held by the Trustee under

and deposit to the Arbitrage Rebate Fund, all or a portion of the Excess Earnings with respect to such Series of Bonds and (ii) pay out of the Arbitrage Rebate Fund to the Department of the Treasury of the United States or America the amount, if any, required by the Code to be rebated thereto.

(Section 5.08)

Application of Moneys in Certain Funds for Retirement of Bonds

Notwithstanding any other provisions of the Resolution, if, upon the computation of assets in the Applicable Debt Service Account of the Debt Service Fund, the Applicable Project Loan Account of the Project Loan Fund and of an Applicable Participant's Allocable Portion of the Debt Service Reserve Fund, if applicable, the amounts held therein are sufficient to pay the principal or Redemption Price of a Participant's Allocable Portion of all Outstanding Bonds of the Applicable Series and the interest accrued and to accrue on such Bonds to the next date of redemption when all such Bonds shall be redeemable, the Trustee shall so notify the Authority and the Applicable Participant. Upon receipt of such notice, the Authority may request the Trustee to redeem Outstanding Bonds of the Applicable Series in an amount which corresponds to such Participant's Allocable Portion thereof. The Trustee shall, upon receipt of such request in writing by the Authority, proceed to redeem or provide for the redemption of such Outstanding Bonds in the manner provided for redemption of such Bonds hereby and by the Applicable Series Resolution as provided in Article IV hereof.

(Section 5.09)

Security for Deposits

All moneys held under the Resolution by the Trustee shall be continuously and fully secured, for the benefit of the Authority and the Holders of a Series of Bonds, by direct obligations of the United States of America or obligations the principal of and interest on which are guaranteed by the United States of America of a market value equal at all times to the amount of the deposit so held by the Trustee; *provided, however*, (a) that if the securing of such moneys is not permitted by applicable law, then in such other manner as may then be required or permitted by applicable State or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds, and (b) that it shall not be necessary for the Trustee or any Paying Agent to give security for the deposit of any moneys with it or them pursuant to the Resolution and held in trust for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of or interest on a Series of Bonds, or for the Trustee to give security for any moneys which shall be represented by obligations purchased or other investments made under the provisions hereof as an investment of such moneys.

(Section 6.01)

Investment of Funds and Accounts

(a) Money held under the Resolution by the Trustee, and, if there is an Event of Default, under an Applicable Loan Agreement, 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 or Exempt Obligations; *provided, however*, that each such investment shall permit the money so deposited or invested to be available for use at the times at which the Authority reasonably believes such money will be required for the purposes hereof.

(b) Except as may be otherwise provided in a Series Resolution, in lieu of the investment of moneys in obligations authorized in paragraph (a) above, the Trustee shall, to the extent permitted by law, upon direction of the Authority given or confirmed in writing, invest moneys in the Project Loan Fund and the Debt Service Reserve Fund, if applicable, and any account held therein in any Permitted Investment; *provided, however*, that each such investment shall permit the money so deposited or invested to be available for use at the times at which the Authority reasonably believes such money will be required for the purposes hereof, *provided, further*, that (a) 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, (b) 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 (c) the Permitted Collateral shall be free and clear of claims of any other person.

(c) Permitted Investments purchased as an investment of money 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, as the case may be, to such fund or account.

(d) Except as may otherwise be provided in a Series Resolution, 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, except that investments held in the Debt Service Reserve Fund, if any, shall be valued at par or the cost thereof, plus accrued interest, whichever is lower.

(e) Notwithstanding anything in the Resolution to the contrary, 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 the Resolution and the proceeds thereof may be reinvested as provided in the Resolution summarized herein. 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 money 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 Applicable Participants 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 hereunder and of the details of all investments held for the credit of each fund and account in its custody under the provisions of the Resolution as of the end of the preceding month and as to whether such investments comply with the provisions of paragraphs (a), (b) and (c) 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.

(f) Except with respect to Bonds the interest on which was intended to be included in gross income under Section 103 of the Code, no part of the proceeds of a Series of Bonds or any other funds or accounts 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 6.02)

Creation of Liens

Except as may otherwise be provided in the Resolution or in an Applicable Series Resolution, the Authority shall not create or cause to be created any lien or charge prior or equal to that of the Bonds of a Series on the proceeds from the sale of such Series of Bonds, the Revenues pledged for such Series of Bonds, the rights of the Authority to receive payments to be made under the Applicable Loan Agreement that are to be deposited with the Trustee, the Applicable Pledged Revenues (subject to Prior Pledges) or the funds and accounts established by the Resolution and pursuant to the Applicable Series 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 other and separate resolutions 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.

(Section 7.06)

Enforcement of Duties and Obligations of the Participants

The Authority shall take all legally available action to cause each of the Participants to perform fully all duties and acts and comply fully with the covenants of such Participant required by the respective Loan Agreements in the manner and at the times provided in such Loan Agreements; *provided, however,* that the Authority may delay,

defer or waive enforcement of one or more provisions of said Loan Agreements (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 Resolutions) if the Authority determines such delay, deferment or waiver will not materially adversely affect the interests of the Holders of the Bonds of a Series.

(Section 7.07)

Amendment of Loan Agreements

A Loan Agreement may not be amended, changed, modified, altered or terminated nor may any provision thereof be waived if any such amendment, change, modification, alteration, termination or waiver would adversely affect the interest of the Holders of Outstanding Bonds of the Applicable Series in any material respect without the prior written consent of the Holders of at least a majority in aggregate principal amount of the Bonds of such Applicable Series then Outstanding; *provided, however*, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of the Applicable Series remain Outstanding the consent of the Holders of such Bonds shall not be required; and *provided, further*, that no such amendment, change, modification, alteration, or termination will reduce the percentage of the aggregate principal amount of Outstanding Bonds of a Series the consent of the Holders of which is a requirement for any such amendment, change, modification, alteration or termination, or decrease the amount of any payment required to be made by the Applicable Participant under such Loan Agreement that is to be deposited with the Trustee or extend the time of payment thereof. Any consent given pursuant to this paragraph by the Holders of Bonds shall, except as otherwise provided in the paragraphs summarized herein, be given in the same manner required by for amendments to the Resolution.

Except as otherwise provided in under this heading “*Amendment of Loan Agreements*,” a Loan Agreement may be amended, changed, modified or altered without the consent of the Holders of Outstanding Bonds of the Applicable Series or the Trustee. Specifically, and without limiting the generality of the foregoing, a Loan Agreement may be amended, changed, modified or altered without the consent of the Trustee and the Holders of Outstanding Bonds of the Applicable Series (i) to provide changes in connection with the acquisition, construction, reconstruction, rehabilitation, renovation and improvement or otherwise, the providing, furnishing and equipping of any facilities constituting a part of a Project or which may be added to such Project or the issuance of Bonds, or (ii) with the consent of the Trustee, to cure any ambiguity, or to correct or supplement any provisions contained in any Loan Agreement, which may be defective or inconsistent with any other provisions contained in the Resolution or in such Loan Agreement. Upon execution by the Authority of any amendment, a copy thereof certified by the Authority shall be filed with the Trustee.

For the purposes of this section entitled “*Amendment of Loan Agreements*,” Outstanding Bonds of the Applicable Series shall be deemed to be adversely affected by an amendment, change, modification or alteration of the Applicable Loan Agreement if the same adversely affects or diminishes the rights of the Holders of such Bonds. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, Bonds of the Applicable Series would be adversely affected by any amendment, change, modification or alteration, and any such determination shall be binding and conclusive on the Authority and all Holders of such Bonds. For all purposes of this section entitled “*Amendment of Loan Agreements*,” the Trustee shall be entitled to rely upon an opinion of counsel, which counsel shall be satisfactory to the Trustee with respect to whether any amendment, change, modification or alteration adversely affects the interests of any Holders of Bonds of the Applicable Series then Outstanding.

(Section 7.11)

Modification and Amendment without Consent

Notwithstanding any other provisions of the Resolution, the Authority may adopt at any time or from time to time a Supplemental Resolution for any one or more of the following purposes, and any such Supplemental Resolution shall become effective in accordance with its terms upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of the Authority:

(a) To add additional covenants and agreements of the Authority for the purpose of further securing the payment of the Bonds of Series, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Resolution or in the Applicable Series Resolution;

(b) 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;

(c) 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;

(d) To confirm, as further assurance, any pledge under, and the subjection to any lien, claim or pledge created or to be created by the provisions of, the Resolution, or any Series Resolution, the Revenues, or any pledge of any other moneys, securities or funds;

(e) 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 an Applicable Series Outstanding as of the date of adoption of such Supplemental Resolution and affected thereby shall cease to be Outstanding, and all Bonds of such Series issued under such resolutions shall contain a specific reference to the modifications contained in such subsequent resolutions; or

(f) 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 Holders of Bonds of a Series in any material respect.

(Section 9.01)

Supplemental Resolutions Effective With Consent

The provisions of the Resolution and of a Series 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 Holders of the affected Series of Bonds in accordance with and subject to the provisions of the Resolution, such Supplemental Resolution to become effective upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of the Authority.

(Section 9.02)

Powers of Amendment

Any modification or amendment of the Resolution or of any Series Resolution that modifies or amends the rights and obligations of the Authority and the Holders of the Bonds of a Series under the Resolution, in any particular, may be made by a Supplemental Resolution, with the written consent given as provided in the Resolution and summarized in the following paragraph, (i) of the Holders of at least a majority in principal amount of the Bonds Outstanding of such Series affected thereby at the time such consent is given, or (ii) in case the modification or amendment changes the amount or date of any Sinking Fund Installment, of the Holders of at least a majority in principal amount of the 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 the Applicable Series and maturity remain Outstanding, the consent 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 this paragraph. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond of a Series 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 of a Series the consent of the Holders of which is required to effect any such modification or amendment. For the purposes of the Resolution summarized in this paragraph, 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. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, the Bonds of a 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 the Bonds of such Series. The Trustee may receive an opinion of counsel, including an opinion of Bond Counsel, as conclusive evidence as to whether the Bonds of a particular Series or maturity would be so affected by any such modification or amendment of the Resolution.

(Section 10.01)

Consent of Bondholders

The Authority may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions of the Resolution summarized in the preceding paragraph to take effect when and as provided in the Resolution. 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 Holders of the Series of Bonds affected thereby for their consent thereto in form satisfactory to the Trustee, shall promptly after adoption be mailed or caused to be mailed by the Trustee at the direction of the Authority to such Bondholders (but failure to mail such copy to any particular Bondholder shall not affect the validity of such Supplemental Resolution when consented to as provided in the Resolution). Such Supplemental Resolution shall not be effective unless and until (i) there shall have been filed with the Trustee (a) the written consent of the Holders of the percentages of Outstanding Bonds of the Series specified in the provisions of the Resolution and (b) 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, and (ii) a notice shall have been mailed as provided in the Resolution. Each such consent shall be effective only if accompanied by proof of the holding or owning at the date of such consent of the Bonds of a Series 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 filed with the Authority that it has examined such proof and that such proof is sufficient in accordance with the Resolution shall be conclusive proof that the consents have been given by the Holders of the Bonds of a Series described in the certificate or certificates of the Trustee. Any consent given by and a Holder of Bonds of a Series shall be binding upon such Holder giving such consent and, anything in the Resolution hereof to the contrary notwithstanding, upon any such subsequent Holder of such Bond 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 Bondholder giving such consent or such subsequent Holder thereof by filing such revocation with the Trustee, prior to the time when the written statement of the Trustee provided for in the Resolution is filed. The fact that a consent has not been revoked may likewise be proved by a certificate of the Trustee filed with the Authority to the effect that no revocation thereof is on file with the Trustee. At any time after such Holders of the required percentages of Bonds shall have filed their consents to such Supplemental Resolution, the Trustee shall make and file with the Authority a written statement that such Holders 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 such 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 Holders of the required percentages of Bonds of the Applicable Series and will be effective as provided in the Resolution, shall be given to such Bondholders by the Trustee at the direction of the Authority by mailing or causing the mailing of such notice to the Bondholders (but failure to mail such notice shall not prevent such Supplemental Resolution from becoming effective and binding) and, in the sole discretion of the Authority, by publishing the same at least once not more than ninety (90) days after the Holders of the required percentages of such Bonds shall have filed their consents to such Supplemental Resolution and the written statement of the Trustee provided for in the Resolution 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

Trustee shall file with the Authority 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, the Applicable Paying Agent, the Holders of such Series of 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 the Applicable 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.

For the purposes of these provisions of the Resolution, the purchasers of the Bonds of a Series, whether purchasing as underwriters or remarketing agent for resale or otherwise, upon such purchase, 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 10.02)

Events of Default

An event of default shall exist under the Resolution and under a Series Resolution (referred to in the Resolution as an “Event of Default”) if:

(a) with respect to a Series of Bonds, payment of (i) an installment of interest on any Bond shall not be made by the Authority when the same shall become due and payable; or (ii) the principal, Sinking Fund Installments or Redemption Price of any Bond shall not be made by the Authority when the same shall become due and payable, either at maturity or by proceedings for redemption or otherwise; *provided, however*, if the failure to make any such payment is caused by a failure of an Applicable Participant to timely pay its Allocable Portion of the principal, Sinking Fund Installments or Redemption Price of or interest on the Bonds pursuant to the terms of the Allocable Loan Agreement, then it shall be an event of default under the Resolution only with respect to the Defaulted Allocable Portion of such Series of Bonds Outstanding, as identified by the Trustee using the method for selection of Bonds upon an extraordinary mandatory redemption thereof set forth in the Resolution; or

(b) with respect to a Series of Bonds, the Authority shall default in the due and punctual performance of its tax covenants contained in the Resolutions with the result that the interest on the 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

(c) with respect to a Series of Bonds, the Authority shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions for the benefit of the Holders of such Bonds contained in the Resolution or in the Bonds of such Series or in the Applicable Series Resolution on the part of the Authority to be performed and such default shall continue for thirty (30) days after written notice specifying such default and requiring the same to be remedied shall have been given to the Authority by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of such Series, or if such default is not capable of being cured within thirty (30) days, if the Authority fails to commence within said thirty (30) days and diligently prosecute the cure thereof; or

(d) with respect to a Series of Bonds, an “Event or Default” (as defined in each Loan Agreement), shall have occurred and is continuing under an Applicable Loan Agreement and all sums payable by the Applicable Participant under the Applicable Loan shall have been declared to be immediately due and payable, which declaration shall not have been annulled; *provided, however*, that such “Event of Default” under an Applicable Loan Agreement shall constitute an event of default under the Resolution only with respect to the Defaulted Allocable Portion of such Series of Bonds Outstanding, as identified by the Trustee using the method for selection of Bonds upon an extraordinary mandatory redemption thereof set forth in the Resolution.

An event of default under the Resolution in respect of a Series of Bonds shall not in and of itself be or constitute an event of default in respect of any other Series of Bonds.

An event of default shall not be deemed to have occurred pursuant to paragraph (a) under the caption “*Events of Default*” above solely as a result of (i) payments made to Bondholders from draws under a Reserve Fund Facility, which draws remain unreimbursed, or (ii) payments made to Bondholders of less than all of the principal of and interest on the Defaulted Allocable Portion of the Outstanding Bonds of an Applicable Series following (A) an acceleration of such Defaulted Allocable Portion of the Applicable Series of Bonds pursuant to the Resolution or (B) the extraordinary mandatory redemption of such Defaulted Allocable Portion of the Applicable Series of Bonds pursuant to the Resolution, and, in each case, the application by the Trustee of all funds available for the payment thereof pursuant to the provisions summarized below under the caption “*Limitation on Revenues and Security Available for Payments After Certain Defaults; Priority of Payments After Default; Cancellation and Replacement of Certain Bonds.*”

(Section 11.02)

Acceleration of Maturity

Upon the happening and continuance of any event of default specified in the Resolution, other than an event of default specified in paragraph (a) under the caption “Events of Default” above resulting from an Applicable Participant’s failure to timely pay its Allocable Portion of the Bonds of the Applicable Series pursuant to the Applicable Loan Agreement, or an event of default specified in paragraphs (b) or (d) under the caption “Events of Default” above, then and in every such case the Trustee shall, upon the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of the Applicable Series, by a notice in writing to the Authority, declare the principal of and interest on the Outstanding Bonds of such Applicable Series to be due and payable immediately. At the expiration of thirty (30) days after notice of such declaration has been given, such principal and interest shall become and be immediately due and payable, anything in the Resolution or in the Applicable Series Resolution or in the Bonds of such Applicable Series to the contrary notwithstanding. At any time after the principal of the Bonds of such Applicable Series 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 the Outstanding Bonds of the Applicable Series, by written notice to the Authority, annul such declaration and its consequences if: (i) moneys shall have accumulated in the Debt Service Fund sufficient to pay all arrears of interest, if any, upon all of the Outstanding Bonds of such Applicable Series (except the interest accrued on such Bonds since the last interest payment date); (ii) moneys shall have accumulated and be available sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee and Applicable Paying Agent incurred in connection with such Applicable Series of Bonds; (iii) all other amounts then payable by the Authority under the Resolution in connection with such Applicable Series of Bonds and under the Applicable Series Resolution shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee; and (iv) every other default known to the Trustee in the observance or performance of such covenant, condition or agreement contained in the Resolution or in the Applicable 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 made under the provisions summarized in this paragraph) shall have been remedied to the satisfaction of the Trustee. No such annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

Upon the happening and continuance of an event of default specified in paragraph (a) under the caption “Events of Default” above resulting from a failure of an Applicable Participant to timely pay its Allocable Portion of the Bonds of the Applicable Series pursuant to the Applicable Loan Agreement, or upon the happening and continuance of an event of default specified in paragraph (d) under the caption “Events of Default” above, then and in every such case the Trustee shall, upon the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Defaulted Allocable Portion of the Outstanding Bonds of the Applicable Series, by a notice in writing to the Authority, declare the principal of and interest on the Defaulted Allocable Portion of the Outstanding Bonds of such Applicable Series to be due and payable immediately. At the expiration of thirty (30) days after notice of such declaration has been given, such principal and interest shall become and be immediately due and payable, anything in the Resolution or in the Applicable Series Resolution or in the Bonds of such Applicable Series to the contrary notwithstanding. At any time after the Defaulted Allocable Portion of the principal of the Bonds of such Applicable Series 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 the Defaulted Allocable Portion of the Outstanding Bonds of the Applicable Series, by written notice to the Authority, annul such declaration and its consequences if: (i) moneys shall have accumulated in the Applicable Debt Service Account or Accounts of the Debt Service Fund sufficient to pay all arrears of interest, if any, upon all of the Defaulted Allocable Portion of the Outstanding Bonds of such Applicable Series (except the interest accrued on such Bonds since the last interest payment date); (ii) moneys shall have accumulated and be available sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee and Applicable Paying Agent incurred in connection with such Defaulted Allocable Portion of such Applicable Series of Bonds; (iii) all other amounts then payable by the Authority under the Resolution in connection with such Defaulted Allocable Portion of the Applicable Series of Bonds and under the Applicable Series Resolution shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee; and (iv) every other default known to the Trustee in the observance or performance of such covenant, condition or agreement contained in the Resolution or in the Applicable 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 made under the provisions summarized in this paragraph) shall have been remedied to the satisfaction of the Trustee. No such annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

(Section 11.03)

Enforcement of Remedies

Upon the happening and continuance of any event of default specified in the Resolution, then and in every such case, the Trustee may proceed, and (i) upon the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of an Applicable Series, or principal amount of the Defaulted Allocable Portion of the Outstanding Bonds of an Applicable Series, as applicable, or (ii) in the case of an event of default specified in paragraph (b) under the caption “*Events of Defaults*” above, upon the written request of the Holders of not less than a majority in principal amount of the Outstanding Bonds of an Applicable Series affected thereby, the Trustee shall proceed (subject to the provisions of the Resolution), to protect and enforce its rights and the rights of the Holders of Bonds of such Applicable Series under the Resolution or under the Applicable 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 such Applicable Series Resolution or in aid or execution of any power in the Resolution or in the Applicable Series Resolution 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 Applicable Mortgage assigned to the Trustee pursuant to the provisions of the Resolution summarized herein.

In the enforcement of any remedy under the Resolution and under an Applicable 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 an Applicable Series Resolution or of an Applicable Series of Bonds, with interest or overdue payment of the principal of and interest on such 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 Applicable 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 the Applicable Series Resolution and in such Bonds, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect in the manner provided by law, the moneys adjudged or decreed to be payable.

(Section 11.04)

Limitation on Revenues and Security Available for Payments After Certain Defaults; Priority of Payments After Default; Cancellation and Replacement of Certain Bonds

(a) Notwithstanding any provision of the Resolution to the contrary, upon the happening and continuance of an event of default specified in paragraph (a) under the caption “*Events of Defaults*” above resulting from a failure of an Applicable Participant to timely pay its Allocable Portion of the Applicable Series of Bonds pursuant to the Applicable Loan Agreement, or upon the happening and continuance of an event of default specified in paragraph (d) under the caption “*Events of Defaults*” above, then and in every such case, payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Defaulted Allocable Portion of the Applicable Series of Bonds (either by their terms, by acceleration of maturity or by the extraordinary mandatory redemption thereof) shall be limited solely to (i) the Revenues received or receivable by the Authority pursuant to the defaulting Participant’s Applicable Loan Agreement, including the such Participant’s Pledged Revenues and other amounts derived from the exercise of any remedies under the Applicable Loan Agreement and the realization of any security or collateral granted by such defaulting Participant as security for its Applicable Loan, and (ii) moneys and securities on deposit in the Applicable Accounts of the funds authorized hereby and established pursuant to the Applicable Series Resolution for the payment of such defaulting Participant’s Allocable Portion of the Applicable Series of Bonds (other than any Account in the Arbitrage Rebate Fund), and the Holders of such Defaulted Allocable Portion of the Applicable Series of Bonds shall have no right to any payments from any other Revenues or any other funds held by the Trustee hereunder for the payment of such Series of Bonds.

(b) Subject to paragraph (a) above, if at any time the moneys held by the Trustee in the funds and accounts under the Resolution and under an Applicable Series Resolution shall not be sufficient to pay the principal of and interest on the Bonds of a Series as the same become due and payable (either by their terms or by acceleration of maturity), 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 hereunder) as follows:

(i) Unless the principal of all the Bonds of a Series has become or 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 except as to the difference in the respective rates of interest specified in such Bonds; or

SECOND: To the payment to the persons entitled thereto of the unpaid principal, Sinking Fund Installments or Redemption Price of any Bonds of such Series 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 of such 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.

(ii) If the principal of all of the Bonds of a Series or the principal of all of the Defaulted Allocable Portion of the Bonds of a Series 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 such Bonds or Defaulted Allocable Portion of such Bonds, as the case may be, 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 of such Series over any other such 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 said Bonds.

These provisions summarized above are in all respects subject to the provisions of the Resolution.

Whenever moneys are to be applied by the Trustee pursuant to the provisions of the Resolution summarized herein, 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 this section shall constitute proper application by the Trustee, and the Trustee shall incur no liability whatsoever to the Authority, to any Holder of Bonds of a Series 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 (which shall be on an interest payment date unless the Trustee shall deem another date more suitable) 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. The Trustee shall not be required to make payment to the Holder of any Bond unless such Bond shall be presented to the Trustee for appropriate endorsement.

(c) Notwithstanding any other provision in the Resolution to the contrary, if, following the exercise of all remedies available to the Trustee under the Resolution and the realization on all security and collateral pledged for the payment of a Defaulted Allocable Portion of the Outstanding Bonds of an Applicable Series, moneys derived from the sources specified in paragraph (a) above are available to pay only a portion of the principal and interest due on the Defaulted Allocable Portion of such Bonds upon the extraordinary mandatory redemption or acceleration thereof pursuant to the Resolution, then in each and every case, after application by the Trustee of all available moneys to the partial payment of the Defaulted Allocable Portion of such Bonds in accordance with the Resolution, (i) the Defaulted Allocable Portion of such Bonds shall be cancelled with the same effect as if paid in full and the event of default shall be deemed cured, (ii) all obligations of the Authority and the Trustee under the Resolution and the Applicable Series Resolution with respect to the Defaulted Allocable Portion of such Bonds shall be deemed to have been discharged and satisfied, and (iii) the Holders of the Defaulted Allocable Portion of such Bonds shall no longer be entitled to the benefits of the Resolution and the Applicable Series Resolution by virtue of their ownership of the Defaulted Allocable Portion of such Bonds. Upon payment and/or cancellation of a Defaulted Allocable Portion of the Outstanding Bonds of an Applicable Series, the Authority shall execute and the Trustee shall authenticate a new Bond or Bonds in a principal amount equal to the Outstanding principal amount of the Bonds of such Applicable Series and maturity less the principal amount of the Defaulted Allocable Portion thereof so paid and/or cancelled.

(Section 11.05)

Bondholders' Direction of Proceedings.

Anything in the Resolution to the contrary notwithstanding, the Holders of (i) not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of a Series or the principal amount of the Defaulted Allocable Portion of the Outstanding Bonds of a Series, as applicable, in the case of an event of default specified in paragraphs (a), (c) or (d) under the caption "*Events of Default*" above, or (ii) a majority in principal amount of the Outstanding Bonds of a Series affected thereby, in the case of an event of default specified in paragraph (b) under the caption "*Events of Default*" above, 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 Applicable Series Resolution, provided, such direction shall not be otherwise than in accordance with law or the provisions of the Resolution and of Applicable Series 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 11.07)

Limitation of Rights of Individual Bondholders

No Holder of any of the Bonds of a Series shall 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 under any Series 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 (i) not less than twenty five per centum (25%) in principal amount of the Outstanding Bonds of a Series, in the case of an event of default specified in paragraphs (a) or (c) under the caption “*Events of Default*” above, (ii) a majority in principal amount of the Outstanding Bonds of a Series, in the case of an event of default specified in paragraph (b) under the caption “*Events of Default*” above, or (iii) not less than twenty five per centum (25%) in principal amount of the Defaulted Allocable Portion of the Outstanding Bonds of a Series, in the case of an event of default specified in paragraph (d) under the caption “*Events of Default*” above, 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 occurred, 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 thereby, 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 by the Resolution 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 at equity and in law. It is understood and intended that no one or more Holders of the Bonds of a Series secured by the Resolution and by a Series 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 in the Resolution, and that all proceedings at law or in equity shall be instituted and maintained for the benefit of all Holders of the Outstanding Bonds of such Series. Notwithstanding any other provision of the Resolution, the Holder of any Bond of a Series 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 11.08)

Defeasance

(a) If the Authority shall pay or cause to be paid to the Holders of the Bonds of a Series or any portion thereof the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, thereof and interest thereon, at the times and in the manner stipulated therein, in the Resolution, and in the Applicable Series Resolution and Applicable Bond Series Certificate, then the pledge of the Revenues or other moneys and securities pledged to such Series of Bonds or any portion thereof and all other rights granted by the Resolution to such Series of Bonds or any portion thereof 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 other securities held by it pursuant to the Resolution and to the Applicable Series Resolution which are not required for the payment or redemption of Bonds of such Series or any portion thereof 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; *second*, to each Applicable Facility Provider which has certified to the Trustee and the Authority that moneys advanced under a Reserve Fund Facility together with any interest thereon have not been repaid, *pro rata*, based upon the respective amounts certified by each such Applicable Facility Provider; *third*, to the Authority the amount certified by the Authority to be then due or past due pursuant to an Applicable Loan Agreement for fees and expenses of the Authority or pursuant to any indemnity; and, *fourth*, the balance thereof to the Applicable Participants, as directed in writing by the Authority. Such moneys or securities so paid or delivered

shall be released from any trust, pledge, lien, encumbrance or security interest created by the Resolution, by the Applicable Series Resolution or by an Applicable Loan Agreement.

(b) Notwithstanding any provision of the Resolution to the contrary, if any Participant shall have prepaid its respective Loan pursuant to the Applicable Loan Agreement and in accordance therewith shall pay or cause to be paid its Allocable Portion of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest on the Applicable Series of Bonds or portions thereof at the times and in the manner stipulated therein, in the Resolution, and in the Applicable Series Resolution and the Applicable Bond Series Certificate, then the pledge of the Revenues or other moneys and securities pledged with respect to such Loan or any portion thereof and all other rights granted under the Applicable Loan Agreement and any Mortgage or security interest relating thereto shall be discharged and satisfied; provided that the moneys used for such prepayment shall not constitute an avoidable transfer under Section 547 of the United States Bankruptcy Code, as amended, in the event of a bankruptcy by such Participant. Moneys derived from a refunding, borrowed from a third party financial institution or set aside by the Participant for such purpose in a segregated account for at least 124 days and not commingled with any other moneys of the Participant shall be deemed to be moneys that do not constitute an avoidable transfer under Section 547 of the Bankruptcy Code. 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 Participant and the Authority, and all moneys or other securities held by the Trustee pursuant to the Resolution and to the Applicable Series Resolution which are not required for the payment or redemption of the Participant's Allocable Portion of the Bonds of such Applicable Series to be defeased or any portion thereof 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; *second*, to each Applicable Facility Provider which has certified to the Trustee and the Authority that moneys advanced under a Reserve Fund Facility which constitutes any part of such Participant's Allocable Portion of the related Debt Service Reserve Fund, if any, together with any interest thereon, have not been repaid, *pro rata*, based upon the respective amounts certified by each such Applicable Facility Provider; *third*, to the Authority the amount certified by the Authority to be then due or past due pursuant to the Applicable Loan Agreement relating to the Applicable Loan to be prepaid for fees and expenses of the Authority or pursuant to any indemnity; and, *fourth*, the balance thereof to such Participant. Such securities so paid or delivered shall be released from any trust, pledge, lien, encumbrance or security interest created by the Resolution, by the Applicable Series Resolution or by the Applicable Loan Agreement.

(c) Bonds of a Series or any portion thereof for which moneys shall have been set aside and shall be held in trust by the Trustee for the payment or redemption thereof (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 paragraphs (a) or (b) above. All Outstanding Bonds of a Series or portions thereof or any maturity within such Series or a portion of a maturity within such 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 paragraphs (a) or (b) above if (i) 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, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Securities, the principal of and interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be, any moneys or securities deposited pursuant to the provisions of this paragraph (c) shall be held by the Trustee in separate trust accounts established with respect to each Applicable Loan prepaid under the Resolution, (iii) the Trustee shall have received the consent to each deposit of each Applicable Facility Provider which has issued a Reserve Fund Facility which constitutes any part of such Participant's Allocable Portion of the related Debt Service Reserve Fund, if any, and which has given written notice to the Authority that amounts advanced thereunder or the interest thereon have not been paid to such Applicable Facility Provider, and (iv) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority shall have given the Trustee, in form satisfactory to it, irrevocable instructions to give, as soon as practicable, by first class mail, postage prepaid, to the Holders of such Bonds at their respective last known addresses, if any, appearing on the registration books, and, if directed by an Authorized Officer of the Authority, by publication, at least twice, at an interval of not less than seven (7) days between publications, in an Authorized

Newspaper, a notice to the Holders of such Bonds that the deposit required by (ii) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this paragraph (c) and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds. The Authority shall give written notice to the Trustee of its selection of the maturity for which payment shall be made in accordance with the Resolution. The Trustee shall select which Bonds of such Series and which maturity thereof shall be paid in accordance with the Resolution in the manner provided therein. Neither the Defeasance Securities nor moneys deposited with the Trustee pursuant to the Resolution nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds; *provided, however*, 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 such Bonds on and prior to such redemption date or maturity date thereof, as the case may be; *provided, further*, that money and Defeasance Securities may be withdrawn and used by the Authority for any purpose upon (i) the simultaneous substitution therefor of either money in an amount which shall be sufficient, or Defeasance Securities the principal of and interest on which when due will provide money which without regard to reinvestment, together with the money, if any, held by or deposited with the Trustee at the same time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (ii) receipt by the Trustee of a letter or other written report of a firm of independent certified public accountants verifying the accuracy of the arithmetical computations which establish the adequacy of such money and Defeasance Securities for such purpose. Any income or interest earned by, or increment to, the investment of any such moneys so deposited, shall, to the extent certified by the Trustee to be in excess of the amount 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 each Applicable Facility Provider who has certified to the Trustee and the Authority that moneys advanced under a Reserve Fund Facility issued by it which constitutes any part of such Participant's Allocable Portion of the related Debt Service Reserve Fund, if any, together with any interest thereon, have not been repaid, *pro rata*, based upon the respective amounts certified by each such Facility Provider; *third*, to the Authority the amount certified by the Authority to be then due or past due pursuant to the Applicable Loan Agreement for fees and expenses of the Authority or pursuant to any indemnity; and, *fourth*, the balance thereof to the Applicable Participants, 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 Applicable Loan Agreement.

(d) Anything in the Resolution to the contrary notwithstanding, any moneys held by the Trustee or Paying Agent in trust for the payment and discharge of any of the Bonds of a Series which remain unclaimed for two (2) years after the date when such moneys become due and payable, upon such Bonds 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, or for two (2) years after the date of deposit of such moneys if deposited with the Trustee or Paying Agent after said date when such Bonds become due and payable, 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 of such Series 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 12.01)

APPENDIX G

FORM OF APPROVING OPINION OF BOND COUNSEL

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**PROPOSED FORM OF APPROVING OPINION
OF BOND COUNSEL**

Upon delivery of the Series 2011A Bonds, Hawkins Delafield & Wood LLP, Bond Counsel to the Authority, proposes to issue its legal opinion in substantially the following form:

HAWKINS DELAFIELD & WOOD LLP
ONE CHASE MANHATTAN PLAZA
NEW YORK, NEW YORK 10005

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 \$3,895,000 aggregate principal amount of InterAgency Council Pooled Loan Program Revenue Bonds, Series 2011A, consisting of two subseries: \$3,715,000 Subseries 2011A-1 (the "Subseries 2011A-1 Bonds") and \$180,000 Subseries 2011A-2 (Federally Taxable) (the "Subseries 2011A-2 Bonds" and together with the Subseries 2011A-1 Bonds, the "Series 2011A Bonds") of the Dormitory Authority of the State of New York (the "Authority"), a body corporate and politic constituting a public benefit corporation of the State of New York created and existing under the Dormitory Authority Act, being Chapter 524 of the Laws of New York of 1944, as amended (the "Act").

The Series 2011A Bonds are issued under and pursuant to the Act, the InterAgency Council Pooled Loan Program Revenue Bond Resolution adopted by the Authority on March 31, 2011 (the "Bond Resolution") and the series resolution adopted by the Authority on July 27, 2011 (the "Series 2011A Resolution"). The Bond Resolution and the Series 2011A Resolution are herein collectively referred to as the "Resolutions."

The Series 2011A 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 Resolutions) of the Authority fixing the terms and details of the Series 2011A Bonds.

We are of the opinion that:

1. The Authority has been duly created and is validly existing under the Act and has the right, power and authority to adopt the Resolutions and the Resolutions have been duly and lawfully adopted by the Authority, are in full force and effect and are valid and binding upon the Authority and enforceable in accordance with their terms.

2. The Resolutions create the valid pledge which they purport to create of the proceeds of the sale of the Series 2011A Bonds, the Revenues and all funds and accounts established by the Series 2011A Resolution other than the Arbitrage Rebate Fund (as such terms are defined in the Resolutions), including the investments thereof and the proceeds of such investments, if any, subject only to the provisions of the Resolutions permitting the application thereof to the purposes and on the terms and conditions set forth in the Resolutions.

3. The Series 2011A Bonds have been duly and validly authorized and issued by the Authority and are valid and binding special obligations of the Authority, payable solely from the sources provided therefor in the Resolutions.

4. The Series 2011A Bonds are not a debt of the State of New York, and the State of New York is not liable thereon, nor shall the Series 2011A Bonds be payable out of funds of the Authority other than

those pledged for the payment of the Series 2011A Bonds.

5. The Loan Agreements between the Authority and, respectively, Lifespire, Inc., Paul J. Cooper Center for Human Services, Inc. and Wildwood Programs, Inc. (collectively, the “Series 2011A Participants”), each dated as of July 27, 2011 (collectively, the “Loan Agreements”), have been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery thereof by each of the Series 2011A Participants, constitute legal, valid and binding obligations of the Authority enforceable in accordance with their terms.

6. Under existing statutes and court decisions, (i) interest on the Subseries 2011A-1 Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Subseries 2011A-1 Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering this opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority, each of the Series 2011A Participants, as applicable, the Interagency Council of Developmental Disabilities Agencies, Inc. and others, and we have assumed compliance by Authority and each of the Series 2011A Participants, as applicable, with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Subseries 2011A-1 Bonds from gross income under Section 103 of the Code. In addition, we have relied on the opinion of counsel to the Series 2011A Participants regarding, among other matters, the current qualifications of the Series 2011A Participants as organizations described in Section 501(c)(3) of the Code. Any Subseries 2011A-1 Bonds having original issue discount (“OID”), OID that has accrued and is properly allocable to the owners of such Bonds under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the Subseries 2011A-1 Bonds

7. Interest on the Subseries 2011A-2 Bonds is included in gross income for Federal income tax purposes pursuant to the Code. The opinion in this paragraph is not intended or provided by Bond Counsel to be used and cannot be used by an owner of the Subseries 2011A-2 Bonds for the purpose of avoiding Federal taxpayer penalties that may be imposed on such owner. The opinion in this paragraph is provided to support the promotion or marketing of the Subseries 2011A-2 Bonds. Each owner of the Subseries 2011A-2 Bonds should seek advice based on its particular circumstances from an independent tax advisor.

8. Under existing statutes, interest on the Series 2011A Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

Except as stated in paragraphs 6, 7 and 8 above, we express no opinion as to any Federal or state tax consequences with respect to the Series 2011A Bonds. We render this opinion under existing statutes and court decisions as of the issue date, and assume no obligation to update this opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Subseries 2011A-1 Bonds, or the exemption from personal income taxes of interest on the Series 2011A Bonds under state and local tax law.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the Series 2011A Bonds, the Resolutions and the Loan Agreements may be limited by bankruptcy, insolvency and other laws affecting creditors’ rights or remedies heretofore or hereafter enacted and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

We have examined an executed Subseries 2011A-1 Bond and a Subseries 2011A-2 Bond and, in our opinion, the form of said Series 2011A Bonds and their execution are regular and proper.

Very truly yours,

