



\$45,115,000	
DORMITORY AUTHORITY OF THE STATE OF NEW YORK	
MIRIAM OSBORN MEMORIAL HOME ASSOCIATION	
REVENUE BONDS, SERIES 2012	
Dated: Date of Delivery	Due: July 1 as shown on the inside cover

Payment and Security: The Dormitory Authority of the State of New York Miriam Osborn Memorial Home Association Revenue Bonds, Series 2012 (the "Series 2012 Bonds") will be special obligations of the Dormitory Authority of the State of New York (the "Authority") authorized under the Authority's Miriam Osborn Memorial Home Association Revenue Bond Resolution, adopted May 23, 2012 (the "Resolution"), and the Series 2012 Resolution Authorizing Miriam Osborn Memorial Home Association Revenue Bonds, Series 2012, adopted by the Authority on May 23, 2012 (the "Series 2012 Resolution" and, together with the Resolution, the "Resolutions.")

Pursuant to the Resolutions, the Series 2012 Bonds will be secured by a pledge by the Authority of Revenues which shall consist of payments received or receivable by the Authority pursuant to a Loan Agreement (the "Loan Agreement"), dated as of May 23, 2012, between Miriam Osborn Memorial Home Association (the "Institution") and the Authority. The Series 2012 Bonds will be further secured by all funds and accounts established under the Resolutions (excluding the Arbitrage Rebate Fund), including the Debt Service Reserve Fund which will be funded in an amount equal to the Debt Service Reserve Fund Requirement (as defined herein).

The Loan Agreement is a general obligation of the Institution and requires the Institution to pay, in addition to the fees and expenses of the Authority and the Trustee, amounts sufficient to pay the principal and Redemption Price of and interest on the Series 2012 Bonds, as such payments become due. The obligations of the Institution to make such payments will be secured by a pledge of Gross Receipts and Sterling Gross Receipts (each as defined herein) of the Institution and Sterling Home Care Inc., an organization whose sole member is the Institution, respectively, and a mortgage on, and a security interest in, certain Mortgaged Property (as defined herein) pursuant to the terms of a Mortgage from the Institution to the Authority (the "Mortgage").

The Series 2012 Bonds are not a debt of the State of New York nor will the State be liable thereon. The Authority has no taxing power.

Description: The Series 2012 Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. Interest (due on each January 1 and July 1 commencing January 1, 2013) on the Series 2012 Bonds will be payable by check mailed to the registered owners thereof and principal and Redemption Price of the Series 2012 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, as more fully described herein.

The Series 2012 Bonds will be issued initially under a Book-Entry Only System, registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"). Individual purchases of beneficial interests in the Series 2012 Bonds will be made in book-entry form (without certificates). So long as DTC or its nominee is the registered owner of the Series 2012 Bonds, payments of the principal and Redemption Price of and interest on such Series 2012 Bonds will be made directly to DTC or its nominee. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of DTC participants. See "PART 3 - THE SERIES 2012 BONDS - Book-Entry Only System" herein.

Redemption: *The Series 2012 Bonds are subject to redemption and purchase in lieu of optional redemption prior to maturity as more fully described herein.*

Tax Matters: In the opinion of Harris Beach PLLC, Bond Counsel to the Authority, based on existing statutes, regulations, court decisions and administrative rulings, and assuming compliance with the tax covenants described herein, interest on the Series 2012 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Furthermore, Bond Counsel is of the opinion that interest on the Series 2012 Bonds is not an "item of tax preference" for purposes of the federal alternative minimum tax imposed on individuals and corporations. Interest on the Series 2012 Bonds is, however, included in the computation of "adjusted current earnings" for purposes of calculating the federal alternative minimum tax imposed on certain corporations. Bond Counsel is further of the opinion that, based on existing statutes, interest on the Series 2012 Bonds is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof. See "TAX MATTERS" herein regarding certain other tax considerations.

The Series 2012 Bonds are offered when, as and if issued and received by Herbert J. Sims & Co., Inc. (the "Underwriter"). The offer of the Series 2012 Bonds may be subject to prior sale or withdrawn or modified at any time without notice. The offer is subject to the approval of legality by Harris Beach PLLC, New York, New York, Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for the Institution by its counsel, Cadwalader, Wickersham & Taft LLP, New York, New York and for the Underwriter by its co-counsel, Trespasz & Marquardt, LLP, Syracuse, New York and Marous & Marous, P.C., New York, New York. The Authority expects to deliver the Series 2012 Bonds in definitive form in New York, New York, on or about September 13, 2012.

Herbert J. Sims & Co., Inc.

\$45,115,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
MIRIAM OSBORN MEMORIAL HOME ASSOCIATION
REVENUE BONDS, SERIES 2012

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS AND CUSIPS⁽¹⁾

Maturity <u>July 1</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIP(1)</u>
2013	\$1,390,000	1.20 %	1.20%	649906 U51
2014	1,755,000	1.50	1.50	649906 U69
2015	1,775,000	1.80	1.80	649906 U77
2016	1,810,000	2.00	2.00	649906 U85
2017	1,845,000	2.25	2.25	649906 U93
2018	1,890,000	2.50	2.55	649906 V27
2019	1,935,000	2.75	2.80	649906 V35
2020	1,990,000	3.00	3.00	649906 V43
2021	2,045,000	3.125	3.20	649906 V50
2022	2,115,000	3.375	3.40	649906 V68
2023	2,180,000	5.00	3.20*	649906 V76
2024	2,290,000	5.00	3.25*	649906 V84
2025	2,405,000	5.00	3.35*	649906 V92
2026	2,530,000	5.00	3.45*	649906 W26
2027	2,650,000	5.00	3.55*	649906 W34
2028	750,000	4.00	4.00	649906 W42
2029	7,265,000	5.00	3.65*	649906 W59

\$6,495,000 5.00% Term Bond Due July 1, 2042 to Yield 4.10%* CUSIP⁽¹⁾ 649906 W67

* Priced at the stated yield to the July 1, 2019 optional redemption date at a redemption price of 100%

(1) Copyright, American Bankers Association. CUSIP numbers have been assigned by an independent company not affiliated with the Authority and are included solely for the convenience of the holders of the Series 2012 Bonds. The Authority is not responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Series 2012 Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2012 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity 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 certain maturities of the Series 2012 Bonds.

No dealer, broker, salesperson or other person has been authorized by the Authority, the Institution or the Underwriter to give any information or to make any representations with respect to the Series 2012 Bonds, other than the information and representations contained in this Official Statement. If given or made, any such information or representations must not be relied upon as having been authorized by the Authority, the Institution or the Underwriter.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be a sale of the Series 2012 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 or authorized by the Institution, DTC 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.

The Institution has reviewed the parts of this Official Statement describing the Institution, Sterling, the Mortgage, the Pledge Agreement, the Refunding Plan, the Series 2012 Project and the information under the captions "Risk Factors" and "Estimated Sources and Uses of Funds." The Institution will certify as of the dates of sale and delivery of the Series 2012 Bonds that such parts do not contain any untrue statements of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading. The Institution makes no representations as to the accuracy or completeness of any other information included in this Official Statement.

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

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

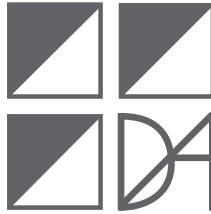
Under no circumstances shall the delivery of this Official Statement or any sale made after its delivery create any implication that the affairs of the Authority or the Institution have remained unchanged after the date of this Official Statement.

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

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

TABLE OF CONTENTS

<u>Part</u>	<u>Page</u>	<u>Part</u>	<u>Page</u>
PART 1 – INTRODUCTION	1	PART 9 – THE AUTHORITY	43
Purpose of the Official Statement	1	Background, Purposes and Powers	43
Purpose of the Issue	1	Outstanding Indebtedness of the Authority (Other than Indebtedness Assumed by the Authority).....	44
Authorization of Issuance	1	Outstanding Indebtedness of the Agency Assumed by the Authority	45
The Series 2012 Bonds	2	Governance	45
Payment of and Security for the Series 2012 Bonds	2	Claims and Litigation.....	50
The Mortgage.....	2	Other Matters	50
The Authority.....	2	PART 10 – LEGALITY OF THE SERIES 2012 BONDS FOR INVESTMENT AND DEPOSIT	50
The Institution.....	3	PART 11 – NEGOTIABLE INSTRUMENTS.....	51
The Project.....	3	PART 12 – TAX MATTERS	51
The Refunding Plan	3	PART 13 – STATE NOT LIABLE ON THE SERIES 2012 BONDS.....	53
PART 2 – SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2012 BONDS.....	3	PART 14 – COVENANT BY THE STATE.....	53
Payment of the Series 2012 Bonds.....	3	PART 15 – LEGAL MATTERS.....	53
Security for the Series 2012 Bonds.....	4	PART 16 – RATINGS.....	54
Assignment to Trustee	6	PART 17 – UNDERWRITING	54
Events of Default and Acceleration	6	PART 18 – VERIFICATION OF MATHEMATICAL COMPUTATIONS	54
General.....	6	PART 19 – CONTINUING DISCLOSURE.....	54
Additional Bonds	7	PART 20 – MISCELLANEOUS	56
PART 3 – THE SERIES 2012 BONDS.....	7	Appendix A – Certain Definitions	A-1
Description of the Series 2012 Bonds.....	7	Appendix B – Audited Financial Statements (Together with Independent Auditor’s Report) of Miriam Osborn Memorial Home Association, for the Years Ended December 31, 2011 and 2010.....	B-1
Redemption and Purchase in Lieu of Optional Redemption Provisions	7	Appendix C – Summary of Certain Provisions of the Loan Agreement	C-1
Book-Entry Only System.....	10	Appendix D – Summary of Certain Provisions of the Resolution.....	D-1
Principal and Interest Requirements for the Series 2012 Bonds	12	Appendix E – Form of Approving Opinion of Bond Counsel	E-1
PART 4 – ESTIMATED SOURCES AND USES OF FUNDS	13		
PART 5 – THE SERIES 2012 PROJECT.....	13		
PART 6 – THE REFUNDING PLAN	13		
PART 7 – THE INSTITUTION.....	16		
PART 8 – RISK FACTORS	31		



DORMITORY AUTHORITY – STATE OF NEW YORK
PAUL T. WILLIAMS, JR. - PRESIDENT

515 BROADWAY, ALBANY, NY 12207
ALFONSO L. CARNEY, JR. – CHAIR

OFFICIAL STATEMENT RELATING TO

\$45,115,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
MIRIAM OSBORN MEMORIAL HOME ASSOCIATION
REVENUE BONDS, SERIES 2012

PART 1- INTRODUCTION

Purpose of the Official Statement

The purpose of this Official Statement, including the cover page and appendices, is to provide information about the Authority and the Miriam Osborn Memorial Home Association (the “Institution”) in connection with the offering by the Authority of \$45,115,000 aggregate principal amount of its Miriam Osborn Memorial Home Association Revenue Bonds, Series 2012 (the “Series 2012 Bonds”).

The following is a brief description of certain information concerning the Series 2012 Bonds, the Authority, and the Institution. A more complete description of such information and additional information that may affect decisions to invest in the Series 2012 Bonds is contained throughout this Official Statement, which should be read in its entirety. Certain terms used in this Official Statement are defined in Appendix A hereto.

Purpose of the Issue

Proceeds of the Series 2012 Bonds, together with other available amounts, are to be used to (i) currently refund all of the outstanding Dormitory Authority of the State of New York Miriam Osborn Memorial Home Association Revenue Bonds, Series 2000B (the “Refunded Bonds”), (ii) finance the cost of certain renovations to the Institution’s existing independent living and assisted living facilities located in Rye, New York, (iii) fund the Debt Service Reserve Fund in an amount equal to the Debt Service Reserve Fund Requirement, and (iv) pay all or a portion of the Costs of Issuance of the Series 2012 Bonds. See “PART 4 - ESTIMATED SOURCES AND USES OF FUNDS,” “PART 5 - THE SERIES 2012 PROJECT” and “PART 6 - THE REFUNDING PLAN.”

Authorization of Issuance

The Series 2012 Bonds will be issued pursuant to the Act, the Authority’s Miriam Osborn Memorial Home Association Revenue Bond Resolution, adopted May 23, 2012 (the “Resolution”), and the Series 2012 Resolution Authorizing Miriam Osborn Memorial Home Association Revenue Bonds, Series 2012, adopted by the Authority on May 23, 2012 (the “Series 2012 Resolution” and, together with the Resolution, the “Resolutions”). The Series 2012 Resolution authorizes the issuance of the Series 2012 Bonds in an amount not to exceed \$55,000,000.

The Resolution authorizes the issuance of multiple Series of Bonds pursuant to separate series resolutions for the benefit of the Institution. The Series 2012 Bonds are the first Series of Bonds issued under the Resolution. See “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2012 BONDS.” All references to funds and accounts in this Official Statement are to those funds and accounts authorized to be created pursuant to the Resolution and so designated and established by the Series 2012 Resolution. See “PART 3 – THE SERIES 2012 BONDS”.

The Series 2012 Bonds

The Series 2012 Bonds will be dated their date of delivery, and will bear interest from such date (payable on each January 1 and July 1, commencing January 1, 2013) at the rates set forth on the inside cover page of this Official Statement. See “PART 3 - THE SERIES 2012 BONDS - Description of the Series 2012 Bonds.”

Payment of and Security for the Series 2012 Bonds

The Series 2012 Bonds will be special obligations of the Authority payable solely from the Revenues. The Series 2012 Bonds will be secured by a pledge by the Authority of the Revenues, which consist of payments received or receivable by the Authority pursuant to the Loan Agreement. The Loan Agreement is a general obligation of the Institution. To secure the Institution’s obligation under the Loan Agreement, the Institution has pledged to the Authority all its rights, title and interests in its Gross Receipts (as defined herein). In addition, Sterling Home Care, Inc., a membership organization whose sole member is the Institution and whose activity is included in the Institution’s consolidated financial statements set forth in Appendix B (“Sterling”), has granted to the Authority a security interest in the Sterling Gross Receipts (as defined herein) pursuant to a Gross Receipts Pledge And Security Agreement (the “Pledge Agreement”). The Institution’s obligations under the Loan Agreement are also secured by a mortgage on, and a security interest in, the Mortgaged Property (as defined herein) pursuant to the terms of a certain Mortgage, dated as of the date of issuance of the Series 2012 Bonds, from the Institution to the Authority (the “Mortgage”).

Subject to the terms and conditions set forth in the Loan Agreement, the Institution may incur indebtedness secured by the Gross Receipts, the Sterling Gross Receipts and/or the Mortgaged Property on a parity with the security interest in the Gross Receipts and the Sterling Gross Receipts and the Mortgage granted to the Authority in connection with the issuance of the Series 2012 Bonds. See “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2012 BONDS.”

The Series 2012 Bonds are additionally secured by all funds and accounts established under the Resolutions (excluding the Arbitrage Rebate Fund). The Series 2012 Resolution establishes a Debt Service Reserve Fund which shall be funded upon the delivery of the Series 2012 Bonds at the Debt Service Reserve Fund Requirement for the Series 2012 Bonds.

The Series 2012 Bonds are not a debt of the State of New York, nor is the State liable thereon. The Authority has no obligation to pay the principal of, or interest on, the Series 2012 Bonds except from the Revenues and funds pledged therefor under the Resolutions. Neither the faith and credit nor the taxing power of the State of New York or any municipality or political subdivision thereof is pledged to the payment of the principal of, redemption premium, if any, or interest on the Series 2012 Bonds. The Authority has no taxing power.

The Mortgage

The Institution will execute and deliver the Mortgage on the Mortgaged Property on the date of delivery of the Series 2012 Bonds to secure its obligations under the Loan Agreement. The Mortgage will secure the payments required to be made by the Institution pursuant to the Loan Agreement. Neither the Mortgage nor any security interests created thereunder have been assigned to the Trustee to secure the Series 2012 Bonds; however, the Authority may, but has no present intention to, and shall, upon the occurrence of certain events pursuant to the Resolutions, assign the Mortgage and such security interests to the Trustee for the benefit of the owners of the Series 2012 Bonds. See “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2012 BONDS - The Mortgage.”

The Authority

The Authority is a public benefit corporation of the State, created for the purpose of financing and constructing a variety of public-purpose facilities for certain educational, governmental and not-for-profit institutions. See “PART 9 - THE AUTHORITY.”

The Institution

The Institution is a not-for-profit corporation exempt from federal income taxation as an organization as described in Section 501(c) (3) of the Internal Revenue Code of 1986, as amended (the "Code"). The Institution was established in 1892 and operates retirement facilities for the aged in Rye, New York. See "PART 7 - THE INSTITUTION."

The Project

The Project consists of the following: (1) the renovation and upgrading of (a) up to 110 independent living and/or assisted living units consisting of an aggregate of up to 198,000 square feet and (b) common areas in the Institution's independent living and assisted living facilities; (2) the refunding of all or a portion of the Authority's Miriam Osborn Memorial Home Association Revenue Bonds, Series 2000B (the "Refunded Bonds"), currently outstanding in the principal amount of \$36,810,000, (3) funding of a Debt Service Reserve Fund in an amount equal to the Debt Service Reserve Fund Requirement for the Series 2012 Bonds, and (4) paying Cost of Issuance relating to the issuance of the Series 2012 Bonds.

The Refunding Plan

A portion of the proceeds of the Series 2012 Bonds, together with other available amounts, will be used to defease and redeem the Refunded Bonds prior to maturity. Such proceeds and other available amounts will be held in a separate account, uninvested in cash or used to acquire non-callable direct obligations of the United States of America, the maturing principal of and interest on which, when due, together with any uninvested cash, will provide sufficient monies to pay the redemption price of, and interest accrued on, the Refunded Bonds on the dated fixed for redemption. See "PART 6 – THE REFUNDING PLAN."

PART 2- SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2012 BONDS

Set forth below is a narrative description of certain statutory and contractual provisions relating to the source of payment of and security for the Series 2012 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 Resolutions, the Loan Agreement and the Mortgage. Copies of the Resolutions, the Loan Agreement and the Mortgage are on file with the Authority and the Trustee. See also "Appendix C - Summary of Certain Provisions of the Loan Agreement" and "Appendix D - Summary of Certain Provisions of the Resolution" for a more complete statement of the rights, duties and obligations of the parties thereto.

Payment of the Series 2012 Bonds

The Series 2012 Bonds will be special obligations of the Authority payable solely from the Revenues. The Revenues consist of the payments required to be made by the Institution under the Loan Agreement on account of the principal and Redemption Price of and interest on the Series 2012 Bonds and to maintain the Debt Service Reserve Fund at the Debt Service Reserve Fund Requirement.

Payments under the Loan Agreement are to be made monthly by the tenth day of each month. Each payment is to be equal to a one-sixth of the interest coming due on the next succeeding interest payment date and one-twelfth of the principal coming due on the next succeeding July 1. The Loan Agreement also obligates the Institution to pay, at least 35 days prior to a redemption date of Series 2012 Bonds called for redemption, the amount, if any, required to pay the Redemption Price of such Bonds. See "PART 3 - THE SERIES 2012 BONDS - Redemption Provisions."

The Revenues and the Authority's right to receive the Revenues have been pledged to the Trustee for the benefit of the Bondholders. Pursuant to the terms of the Loan Agreement, the Institution is required to make such payments directly to the Trustee. Such payments are to be applied by the Trustee to the payment of the principal and Redemption Price of and interest on the Series 2012 Bonds. The payments to be made by the Institution to restore the Debt Service Reserve Fund to its requirement are to be made directly to the Trustee for deposit therein.

Security for the Series 2012 Bonds

The Series 2012 Bonds will be secured by the pledge and assignment of the Revenues, the Authority's security interest in the Gross Receipts, the proceeds from the sale of Series 2012 Bonds (until disbursed as provided in the Resolutions), and all funds and accounts authorized and established under the Resolutions (with the exception of the Arbitrage Rebate Fund).

Gross Receipts

As security for its obligations under the Loan Agreement, the Institution has granted to the Authority a security interest in the Gross Receipts which include without limitation all revenues from the operation of the Institution, including entrance fees, all other income available to the Institution from any other source, all present and future accounts contracts and agreements, gifts, grants, bequests and other moneys received by or on behalf of the Institution; provided, however, that certain gifts, grants and bequests to the extent specifically restricted by the donor thereof to a special object or purpose inconsistent with payments under the Loan Agreement shall not be included in Gross Receipts. In addition, Sterling, a membership organization whose sole member is the Institution and whose activity is included in the Institution's consolidated financial statements set forth in Appendix B, has granted to the Authority a security interest in the Sterling Gross Receipts pursuant to the Pledge Agreement. The Authority has pledged and assigned to the Trustee for the benefit of the Bondholders its security interest in the Gross Receipts and the Sterling Gross Receipts.

While the Institution has granted the Authority a security interest in the Gross Receipts pursuant to the Loan Agreement and Sterling has granted the Authority a security interest in the Sterling Gross Receipts pursuant to the Pledge Agreement, neither the Institution nor Sterling are entering into a deposit account control agreement with respect thereto. However, both the Institution and Sterling have covenanted in the Loan Agreement and the Pledge Agreement, respectively, not to execute a deposit account control agreement for the benefit of any other creditor for so long as the Series 2012 Bonds shall remain outstanding unless the Institution shall simultaneously enter into a deposit account control agreement with the Authority for the benefit of the Series 2012 Bondholders. Pursuant to Section 9-304 of the Uniform Commercial Code, to perfect its lien in a debtor's deposit account a secured party must gain "control" over the debtor's deposit account, generally by means of an enforceable agreement between the secured party and the debtor. The Authority will not be gaining such control over the Institution's deposit accounts. However, upon the occurrence of an Event of Default under the Loan Agreement or the failure of the Institution to be in compliance with the Debt Service Coverage Ratio or the Liquidity Covenant (each as defined herein), the Authority, may, in its sole discretion, require the Institution and Sterling to enter into deposit account control agreements with respect to the Gross Receipts and the Sterling Gross Receipts, respectively.

The Institution may incur debt secured on a parity with or subordinate to the lien and pledge of the Gross Receipts and Sterling Gross Receipts. See "Appendix C - Summary of Certain Provisions of the Loan Agreement."

Debt Service Reserve Fund

The Series 2012 Bonds will be additionally secured by the Debt Service Reserve Fund. The Series 2012 Resolution establishes the Debt Service Reserve Fund for the Series 2012 Bonds which shall be maintained at an amount equal to the lesser of (i) the greatest amount required in the then current or any future calendar year to pay the sum of interest on the Series 2012 Bonds payable during such calendar year and the principal and Sinking Fund Installments of the Series 2012 Bonds payable on or prior to July 1 of such calendar year, or (ii) an amount equal to ten percent (10%) of the net proceeds of the sale of the Series 2012 Bonds, or (iii) an amount equal to 125% of the average of the principal, whether at maturity or on mandatory redemption, and interest becoming due in any one calendar year on the Series 2012 Bonds. The Debt Service Reserve Fund will be funded upon issuance of the Series 2012 Bonds from the proceeds of the Series 2012 Bonds.

Moneys in the Debt Service Reserve Fund are to be withdrawn and deposited in the Debt Service Fund whenever the amount in the Debt Service Fund on the fourth business day prior to an interest payment date is less than the amount which is necessary to pay the principal of, redemption price of, and interest on the Series 2012 Bonds payable on such interest payment date. The Resolution requires that the Institution restore the Debt Service

Reserve Fund to its requirement by paying the amount of any deficiency to the Trustee within 5 days after receiving notice of a deficiency. Moneys in the Debt Service Reserve Fund in excess of its requirement shall be withdrawn and applied in accordance with the Resolutions. See “Appendix D - Summary of Certain Provisions of the Resolution.”

The Mortgage

The Institution will execute and deliver the Mortgage on the Mortgaged Property to secure its obligations under the Loan Agreement. Neither the Mortgage nor any security interests created thereunder have been assigned to the Trustee to secure the Series 2012 Bonds; however, the Authority may, but has no present intention to, and shall, upon the occurrence of certain events set forth in the Resolution, assign the Mortgage and such security interests to the Trustee.

The Mortgaged Property consists of approximately 56 acres of land and comprises substantially the entire campus of the Institution including Sterling Park at The Osborn (188 independent living entrance fee units), Assisted Living at The Osborn (96 rental independent living & assisted living units contained in the Sterling, Osborn, and Strathcona Buildings) and The Osborn Pavilion (84 room Skilled Nursing Facility).

Additional Parity Indebtedness

Subject to the terms and conditions set forth in the Loan Agreement, the Institution may incur indebtedness secured by the Gross Receipts and/or the Mortgaged Property on a parity with the security interest in the Gross Receipts and the Mortgage granted to the Authority in connection with the issuance of the Series 2012 Bonds.

Financial Covenants

Debt Service Coverage Ratio. Pursuant to the Loan Agreement, the Institution covenants that it shall maintain a Debt Service Coverage Ratio beginning with the Fiscal Year ending December 31, 2012, of not less than 1.20 to 1. For the purposes of this covenant, “Debt Service Coverage Ratio” means, (A) for any period where the Days’ Cash on Hand Ratio is 274 or lower, the ratio of (x) Funds Available for Debt Service to (y) Maximum Annual Debt Service on the Series 2012 Bonds and other Long Term Indebtedness (other than any Subordinate Obligations) and (B) for any period where the Days’ Cash on Hand Ratio is 275 or higher, the ratio of the ratio of (x) Funds Available for Debt Service plus charity care expense for such period, to (y) Maximum Annual Debt Service on the Series 2012 Bonds and other Long Term Indebtedness (other than any Subordinate Obligations).

Liquidity Covenant. Pursuant to the Loan Agreement, the Institution covenants that it shall not permit the Days' Cash on Hand to be less than 175 as of June 30 and December 31 of each year (the “Liquidity Covenant”). For the purposes of this covenant, “Days' Cash on Hand” shall mean, as of the date of calculation, the sum of unrestricted cash and investments excluding amounts in the Debt Service Reserve Fund, divided by total annual expenses of Institution (including interest, but excluding depreciation, amortization and unrealized losses on investments) times 365.

If the Institution shall fail to comply with either the Debt Service Coverage Ratio or the Liquidity Covenant, if requested in writing by the Authority, the Institution shall deliver a Management Consultant's report and plan that recommends corrective action, which corrective action shall be implemented to the extent not prohibited by law or existing contracts. The Institution shall adopt a specific plan setting forth the steps designed to cause the Institution to come into compliance with the Debt Service Coverage Ratio or the Liquidity Covenant, as applicable, by the end of the second full fiscal quarter following the date such report and plan are delivered.

The failure of the Institution to comply with either the Debt Service Coverage Ratio or the Liquidity Covenant shall not constitute an Event of Default under the Loan Agreement unless either (i) the Institution fails after the request of the Authority to retain a Management Consultant and implement its recommendations; or (ii) the Institution fails to maintain a Debt Service Coverage Ratio of at least 1.0 for two consecutive fiscal quarters.

See “Appendix C - Summary of Certain Provisions of the Loan Agreement” for additional information regarding the financial covenants discussed above.

Assignment to Trustee

The Resolution provide that the Authority may, at any time and in its sole discretion, assign the Loan Agreement to the Trustee and that in the event of a default in the payment of principal of or interest on the Series 2012 Bonds, the Authority shall assign the Loan Agreement, the Mortgage and the Pledge Agreement to the Trustee. The Resolutions further provide that in the event the Institution fails to (i) timely make monthly Loan Agreement payments three times in any six month period, (ii) maintain a Debt Service Coverage Ratio of 1.0x with respect to the Series 2012 Bonds on two consecutive quarterly test dates, or (iii) maintain at least 75 Days Cash on Hand on any semi-annual test date, then upon the written request of the Owners of not less than twenty five per centum (25%) in principal amount of the Outstanding Series 2012 Bonds to the Trustee, the Trustee shall request, and the Authority has agreed, to assign the Loan Agreement, the Mortgage and the Pledge Agreement to the Trustee. The Resolution also provides for the assignment of these documents back to the Authority in the event that the conditions that gave rise to their assignment to the Trustee are no longer in effect or have been cured. See “Appendix D - Summary of Certain Provisions of the Resolution.”

Events of Default and Acceleration

The following are events of default under the Resolution: (i) a default by the Authority in the payment of the principal or Redemption Price of or interest on any Series 2012 Bonds; (ii) the Authority shall take any action, or fail to take any action, which would cause the interest on Series 2012 Bonds to 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 covenant, condition, agreement or provision contained in the Series 2012 Bonds or in the Resolution which continues for thirty (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 Owners of not less than 25% in principal amount of Outstanding Bonds) or if any such default is not capable of being cured within 30 days if the Authority fails to commence within 30 days and diligently prosecutes the cure thereof; or (iv) with respect to a Series of Bonds, the Authority shall have notified the Trustee that an “Event of Default” under the related Loan Agreement, as such term is defined in such Loan Agreement, shall have occurred and be continuing and all sums payable by the Institution under such Loan Agreement shall have been declared to be immediately due and payable, which declaration shall not have been annulled.

The Resolution provides that, if an event of default (other than as described in clause (ii) or (iii) of the preceding paragraph) occurs and continues, the Trustee may, and upon the written request of the Owners of not less than 25% in principal amount of the Outstanding Bonds shall, by a notice in writing to the Authority, declare the principal of and interest on all Outstanding 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 Owners of not less than 25% in principal amount of Series 2012 Bonds not yet due by their terms and then Outstanding, by written notice to the Authority, annul such declaration and its consequences under the terms and conditions specified in the Resolution with respect to such annulment.

The Resolution provides that the Trustee shall give notice in accordance with the Resolution of each event of default known to the Trustee to the Owners of the Series 2012 Bonds within thirty (30) days after knowledge of the occurrence, unless such event of 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 or Redemption Price of, or interest on, any of the Series 2012 Bonds, the Trustee shall be protected in withholding such notice thereof to the Owners of Series 2012 Bonds if and so long as the Trustee in good faith determines that the withholding of such notice is in the best interests of the Owners of the Series 2012 Bonds.

General

The Series 2012 Bonds are not a debt of the State, nor will the State be liable thereon. The Authority has no taxing power. See “PART 9 - THE AUTHORITY.”

Additional Bonds

In addition to the Series 2012 Bonds, the Resolution authorizes the issuance by the Authority of other Series of Bonds to finance Projects for the benefit of the Institution and for other specified purposes provided that, upon the delivery thereof, certain conditions are met. Additional Series of Bonds issued under the Resolution will be separately secured by the proceeds of such Series, the Revenues applicable to such Series and the funds and accounts established with respect to such Series. Additional Series of Bonds may be secured by the Authority's security interest in the Institution's Gross Receipts and the Sterling Gross Receipts and/or the Mortgage on the Mortgaged Property on a parity with the Series 2012 Bonds. See "Appendix C - Summary of Certain Provisions of the Loan Agreement" and "Appendix D - Summary of Certain Provisions of the Resolution."

PART 3- THE SERIES 2012 BONDS

Description of the Series 2012 Bonds

The Series 2012 Bonds will be issued pursuant to the Resolutions, will be dated their date of delivery, and will bear interest from such date (payable on each January 1 and July 1, commencing January 1, 2013) at the rates and will mature at the times set forth on the inside cover page of this Official Statement.

The Series 2012 Bonds will be issued as fully registered bonds. The Series 2012 Bonds will be issued in denominations of \$5,000 or any integral multiple thereof. The Series 2012 Bonds will be registered in the name of Cede & Co., as nominee of DTC, pursuant to DTC's Book-Entry Only System. Purchases of beneficial interests in the Series 2012 Bonds will be made in book-entry form, without certificates. If at any time the Book-Entry Only System is discontinued for the Series 2012 Bonds, the Series 2012 Bonds will be exchangeable for other fully registered Series 2012 Bonds in any other authorized denominations of the same maturity without charge except the payment of any tax, fee or other governmental charge to be paid with respect to such exchange, subject to the conditions and restrictions set forth in the Resolution. See "Book-Entry Only System" herein.

Interest on the Series 2012 Bonds will be payable by check mailed to the registered owners thereof. The principal or Redemption Price of the Series 2012 Bonds will be payable in lawful money of the United States of America at the principal corporate trust office of The Bank of New York Mellon, the Trustee and Paying Agent, or, for so long as the Series 2012 Bonds shall no longer be held in book-entry only form, at the option of the registered owner of at least \$1,000,000 on principal amount of Series 2012 Bonds, by wire transfer to a designated wire address. As long as the Series 2012 Bonds are registered in the name of Cede & Co., as nominee of DTC, such payments will be made directly to DTC. See "Book-Entry Only System" herein.

For a more complete description of the Series 2012 Bonds, see "Appendix D - Summary of Certain Provisions of the Resolution."

Redemption and Purchase in Lieu of Optional Redemption Provisions

The Series 2012 Bonds are subject to optional and mandatory redemption prior to maturity and to purchase in lieu of optional redemption as described below.

Optional Redemption

The Series 2012 Bonds maturing on or before July 1, 2019 are not subject to optional redemption prior to maturity. The Series 2012 Bonds maturing on or after July 1, 2020 are subject to redemption prior to maturity at the option of the Authority, on or after July 1, 2019, in any order, in whole or in part at any time at a Redemption Price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date.

Purchase in Lieu of Optional Redemption

The Series 2012 Bonds maturing on or before July 1, 2019 are not subject to purchase in lieu of optional redemption. The Series 2012 Bonds maturing on or after July 1, 2020 are subject to purchase in lieu of optional

redemption prior to maturity at the option of the Institution with the consent of the Authority, on or after July 1, 2019, in any order, in whole or in part at any time, at a purchase price equal to 100% of the principal amount of the Series 2012 Bonds to be purchased, plus accrued interest (the “Purchase Price”) to the date set for purchase (the “Purchase Date”).

Mandatory Redemption Provisions

The Series 2012 Bonds maturing on July 1, 2042 are subject to redemption, in part, through application of Sinking Fund Installments upon notice given as prescribed in the Bond Resolution, at a Redemption Price equal to 100% of the principal amount of such Series 2012 Bond to be redeemed, plus accrued interest to the date of redemption. Unless none of the Series 2012 Bonds of such maturity are then Outstanding and, subject to the provisions set forth below permitting amounts to be credited to part or all of any one or more Sinking Fund Installments, there shall be due and the Authority shall be required to pay for the retirement of the Series 2012 Bonds maturing on July 1 of each of the years set forth in the following table, the amount set forth opposite such year:

Series 2012 Term Bonds
Maturing July 1, 2042

<u>Year</u>	<u>Sinking Fund Installment</u>
2030	\$330,000
2031	345,000
2032	360,000
2033	380,000
2034	400,000
2035	420,000
2036	440,000
2037	460,000
2038	485,000
2039	510,000
2040	535,000
2041	560,000
2042†	1,270,000

† Maturity.

There shall be credited against and in satisfaction of the Sinking Fund Installment payable on any date, the principal amount of Series 2012 Bonds entitled to such Sinking Fund Installment (A) purchased with moneys in the Debt Service Fund pursuant to the Resolution, (B) redeemed at the option of the Authority, (C) purchased by the Institution or the Authority and delivered to the Trustee for cancellation or (D) deemed to have been paid in accordance with the Resolution. Series 2012 Bonds purchased with moneys in the Debt Service Fund will be applied against and in fulfillment of the Sinking Fund Installment of the Series 2012 Bonds so purchased payable on the next succeeding July 1. Series 2012 Bonds redeemed at the option of the Authority, purchased by the Authority or the Institution (other than from amounts on deposit in the Debt Service Fund) and delivered to the Trustee for cancellation or deemed to have been paid in accordance with the Bond Resolution will be applied in satisfaction, in whole or in part, of one or more Sinking Fund Installments as the Authority may direct in its discretion.

Extraordinary Mandatory Redemption

The Series 2012 Bonds are subject to extraordinary mandatory redemption, in whole or in part at any time prior to maturity, at 100% of the principal amount to be redeemed plus interest accrued to the redemption date, from the proceeds of a condemnation or insurance award, which proceeds are not used to repair, restore or replace the facilities financed or refinanced with the proceeds of the Series 2012 Bonds.

Selection of Bonds to be Redeemed

In the case of a redemption of Series 2012 Bonds described above under the heading “Optional Redemption” the Authority will select the maturities of the Series 2012 Bonds to be redeemed. In the case of a redemption of Series 2012 Bonds described above under the heading “Extraordinary Mandatory Redemption,” Series 2012 Bonds will be redeemed to the extent practicable pro rata among maturities within the Series 2012 Bonds to be redeemed. If less than all of the Series 2012 Bonds of a maturity are to be redeemed (pursuant to an optional or extraordinary redemption), the Series 2012 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 the Series 2012 Bonds in the name of the Authority 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 2012 Bonds which are to be redeemed, at their last known addresses appearing on the registration books, except that, with respect to any Extraordinary Mandatory Redemption, such notice shall be given at least ten (10) days prior to the redemption date. The failure of any owner of a Series 2012 Bond to be redeemed to receive notice of redemption thereof will not affect the validity of the proceedings for the redemption of such Series 2012 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 within the applicable time period specified above for the mailing of notice, 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 2012 Bonds. Any notice of redemption may state that the redemption is conditioned upon receipt by the Trustee, on or prior to the redemption date, of monies sufficient to pay the Redemption Price of the Series 2012 Bonds to be redeemed and that if such monies are not received, such notice shall be of no force or effect and such Series 2012 Bonds shall not be required to be redeemed.

If, on the redemption date, moneys for the redemption of the Series 2012 Bonds of like 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 shall have been mailed, then interest on the Series 2012 Bonds of such maturity will cease to accrue from and after the redemption date and such Series 2012 Bonds will no longer be considered to be Outstanding under the Resolutions.

Notice of Purchase in Lieu of Redemption and its Effect

Notice of purchase of the Series 2012 Bonds will be given in the name of the Institution to the registered owners of the Series 2012 Bonds to be purchased by first-class mail, postage prepaid, not less than 30 days nor more than 45 days prior to the Purchase Date specified in such notice. The Series 2012 Bonds to be purchased are required to be tendered on the Purchase Date to the Trustee. Series 2012 Bonds to be purchased that are not so tendered will be deemed to have been properly tendered for purchase. If the Series 2012 Bonds are called for purchase in lieu of an optional redemption, such purchase will not extinguish the indebtedness of the Authority evidenced thereby or modify the terms of the Series 2012 Bonds. Such Series 2012 Bonds need not be cancelled, and will remain Outstanding under the Resolution and continue to bear interest.

The Institution's obligation to purchase a Series 2012 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 Series 2012 Bonds to be purchased on the Purchase Date. If sufficient money is available on the Purchase Date to pay the Purchase Price of the Series 2012 Bonds to be purchased, the former registered owners of such Series 2012 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 Series 2012 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 Series 2012 Bonds in accordance with their respective terms.

If not all of the Outstanding Series 2012 Bonds of a Series and maturity are to be purchased, the Series 2012 Bonds of such Series and maturity to be purchased will be selected in the same manner as Series 2012 Bonds of a Series and maturity to be optionally redeemed in part are to be selected.

For a more complete description of the redemption and other provisions relating to the Series 2012 Bonds, see “Appendix D - Summary of Certain Provisions of the Resolution.”

Book-Entry Only System

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

DTC, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 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. 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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 (collectively, “Participants”) are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

To facilitate subsequent transfers, all Series 2012 Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2012 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2012 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2012 Bonds are credited, which may or may not be the Beneficial Owners. The 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 Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2012 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2012 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Resolution and other related documents. For example, Beneficial Owners of Series 2012 Bonds may wish to ascertain that the nominee holding the Series 2012 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar for the Series 2012 Bonds and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2012 Bonds within a maturity 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 2012 Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2012 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, definitive Series 2012 Bonds will also be printed and delivered.

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

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

So long as Cede & Co. is the registered owner of the Series 2012 Bonds, as nominee for DTC, references herein to the Bondholders, Holders, owners or registered owners of the Series 2012 Bonds (other than under the captions "PART 12 - TAX MATTERS" and "PART 19 - CONTINUING DISCLOSURE" herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 2012 Bonds.

Principal and Interest Requirements for the Series 2012 Bonds

The following table sets forth the amount required to be paid during each twelve-month period ending July 1 of the years shown for the payment of interest on the Series 2012 Bonds payable on January 1 of such year and of principal, sinking fund installments, if any, and interest on the Series 2012 Bonds payable on July 1 of such year and the aggregate payments to be made during each such period with respect to the Series 2012 Bonds.

12-Month Period Ending July 1	<u>Principal Installments</u>	<u>Interest Payments</u>	<u>Total Debt Service</u>
2013	\$1,390,000	\$1,415,094	\$2,805,094
2014	1,755,000	1,752,188	3,507,188
2015	1,775,000	1,725,863	3,500,863
2016	1,810,000	1,693,913	3,503,913
2017	1,845,000	1,657,713	3,502,713
2018	1,890,000	1,616,200	3,506,200
2019	1,935,000	1,568,950	3,503,950
2020	1,990,000	1,515,738	3,505,738
2021	2,045,000	1,456,038	3,501,038
2022	2,115,000	1,392,131	3,507,131
2023	2,180,000	1,320,750	3,500,750
2024	2,290,000	1,211,750	3,501,750
2025	2,405,000	1,097,250	3,502,250
2026	2,530,000	977,000	3,507,000
2027	2,650,000	850,500	3,500,500
2028	750,000	718,000	1,468,000
2029	7,265,000	688,000	7,953,000
2030	330,000	324,750	654,750
2031	345,000	308,250	653,250
2032	360,000	291,000	651,000
2033	380,000	273,000	653,000
2034	400,000	254,000	654,000
2035	420,000	234,000	654,000
2036	440,000	213,000	653,000
2037	460,000	191,000	651,000
2038	485,000	168,000	653,000
2039	510,000	143,750	653,750
2040	535,000	118,250	653,250
2041	560,000	91,500	651,500
2042	1,270,000	63,500	1,333,500

PART 4- ESTIMATED SOURCES AND USES OF FUNDS

Estimated sources and uses of funds, exclusive of accrued interest, are as follows:

Sources of Funds

Principal Amount of the Series 2012 Bonds	\$45,115,000
Refunded Bonds Release of Funds.....	4,296,866
Net Original Issue Premium.....	<u>2,087,488</u>
Total Sources	<u>\$51,499,354</u>

Uses of Funds

Deposit to Redemption Account	\$37,540,167
Deposit to Construction Fund.....	10,000,000
Deposit to Debt Service Reserve Fund.....	2,954,953
Costs of Issuance ¹	566,596
Underwriter Discount.....	<u>437,638</u>
Total Uses	<u>\$51,499,354</u>

¹ - Includes legal and associated costs of issuance of the Series 2012 Bonds.

PART 5- THE SERIES 2012 PROJECT

The proceeds of the Series 2012 Bonds will be applied, together with other available moneys, to (i) cause the current refunding of all of the outstanding Refunded Bonds; (ii) finance certain renovations and upgrades to the Institution’s independent and assisted living facilities; (iii) fund a Debt Service Reserve Fund in an amount equal to the Debt Service Reserve Fund Requirement for the Series 2012 Bonds; and (iv) pay the Costs of Issuance of the Series 2012 Bonds.

PART 6- THE REFUNDING PLAN

A portion of the proceeds of the Series 2012 Bonds will be used with other available moneys to currently refund the Refunded Bonds. Such proceeds and other available monies are expected to be held uninvested as cash or used to acquire non-callable direct obligations of the United States of America (the “Defeasance Securities”), the maturing principal of and interest on which, when due, together with any uninvested cash, will provide moneys sufficient to pay the redemption price of the Refunded Bonds on the date fixed for redemption.

The Defeasance Securities will be deposited with the trustee for the Refunded Bonds (the “Prior Trustee”) upon the issuance and delivery of the Series 2012 Bonds, and will be held in trust solely for the payment of the redemption price of the Refunded Bonds on the date fixed for redemption. At the time of such deposit, the Prior Trustee will be given irrevocable instructions to give notice of the defeasance and redemption of the Refunded Bonds and to apply the proceeds from the Defeasance Securities, together with any uninvested cash, to the payment of the redemption price of, and interest accrued on, the Refunded Bonds on the date fixed for redemption.

Bond Counsel to the Authority is expected to give an opinion that, upon making such deposits with the Prior Trustee for the Refunded Bonds and the issuance of irrevocable instructions to the Prior Trustee with respect thereto, the Refunded Bonds will, under the terms of the bond resolutions pursuant to which they were issued, be deemed to have been paid and no longer outstanding, and the pledge of the revenues and other moneys and securities pledged to the Refunded Bonds under such bond resolutions and the covenants, agreements and obligations of the Authority contained therein with respect to the Refunded Bonds will be discharged and satisfied.

The Refunded Bonds were issued by the Authority to fund the construction of an addition to the Institution’s independent living facility consisting of a three-story building and a four-story building totaling

approximately 215,000 square feet to house a total of 94 apartments, a central dining room, a central kitchen, a meeting room, a theater, a multimedia library and 97 underground parking spaces, (ii) the renovation and improvement of the Institution's senior living facility, consisting of approximately 480,000 square feet in 30 buildings, and (iii) the conversion of two administrative units to entrance fee residential units.

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PART 7- THE INSTITUTION

Introduction

The Miriam Osborn Memorial Home Association (the “Institution”), incorporated in 1892, is a not-for-profit corporation duly organized, validly existing and in good standing under the laws of the State of New York. The Institution is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”), and is exempt from Federal income tax pursuant to Section 501(a) of the Code. For over a century the Institution has pursued its mission to provide high quality housing, health care and related services to seniors.¹

The Community

The Institution’s original residential facility opened in April of 1908 at its current location in Rye, New York. Today, the Institution operates a 368-unit, approximately 687,000 square foot fee-for-service retirement community that provides all levels of care (independent, assisted living, and skilled nursing) and home care services. The Institution’s approximately 56-acre campus is comprised of 188 100% refundable entrance fee apartments, 96 rental independent and assisted living apartments and a residential health care facility with 84 private beds (collectively referred to herein as the “Campus”). A new 13-bed memory care unit is scheduled to open on the Campus in early 2013.

Governance

In accordance with its By-Laws, the Institution is governed by a volunteer Board of Trustees consisting of twelve members. Trustees are elected at the Annual Meeting of the Board of Trustees by a majority of the Trustees then in office for a term of three years, except that newly created trusteeships and vacancies are filled by a majority of the Board of Trustees from time to time as required. There is no limit on the number of terms for Board members.

Board of Trustees

Jack Miller, *Chairman*, Mr. Miller has been a Trustee for 19 years. He is a retired Vice Chairman of KMPG LLP where he was elected as a member of the Board of Directors and the Management Committee and served as the Chief Executive Officer of the public service and health care line of business. Mr. Miller is the Chairman of the Wilkes University Board of Directors and is a member of the Board of Directors of Customers Bancorp serving on the risk, audit and nominating committees.

Werner Polak, *President*. Mr. Polak has been a Trustee for 12 years. He is a retired partner of Sherman and Sterling, LLP, a leading international law firm. He is currently counsel to Linde Gas.

Per Hellman, *Vice President/ Secretary*. Mr. Hellman has been a Trustee for 9 years. He retired as General Manager of the Millennium Broadway Hotel and previously served as the General Manager of the Waldorf Astoria Hotel in New York City.

James Buckley, *Trustee*. Mr. Buckley has been a Trustee for 9 years. He is a retired Managing Director of KPMG Consulting.

Mason Rees, *Trustee and Chairman of the Investment Committee*. Mr. Rees has been a Trustee for 13 years. He is the Chief Operating Officer of Trident Investment Management (“Trident”). Trident manages the Trident Global Growth Fund – investing in Global and Australian equities.

Nathan W. “Bill” Pearson, *Trustee and Chairman of the Finance Committee*. Mr. Pearson has been a Trustee for 6 years. He is the Managing Director of Gallup Hill, a consulting firm that concentrates on helping clients achieve lasting performance improvements. Mr. Pearson is also a partner for the Windale Group, a retained executive

¹ The Institution’s management is considering revising its corporate structure. See the subcaption “*Osborn Home Care*” under the caption “**Services Offered on the Campus**” below for additional details on the contemplated corporate restructuring.

search firm, and a senior consultant with Fisher-Rock, a consulting firm with core competencies in organizational change, talent management and applied research and assessment.

Brooks Wright, *Trustee*. Ms. Wright has been a Trustee for 6 years. She is a former Senior Vice President of Aon Risk Services.

Lucien Burnett, *Trustee*. Mr. Burnett has been a Trustee for 2 years. He is a partner at Saguenay Capital, LLC, a global investment management firm focused on customized hedge fund portfolios and absolute return strategies.

Jim Steffensen, *Trustee*. Mr. Steffensen has been a Trustee for 10 years. He currently serves as President of Blackmer Advisors, a management consulting firm specializing in strategy and business development for retailers and consumer products companies and previously served as a senior officer with Avon Products and the Neiman Marcus Group.

George Pawlush, *Trustee*. Mr. Pawlush has been a Trustee for 3 years. He is the VP of Public Relations and Community Affairs at Greenwich Hospital, Greenwich, CT.

Douglas Shanks, *Trustee*. Mr. Shanks has been a Trustee for 3 years. Mr. Shanks has held various positions in marketing and finance for IBM. He is the founding Partner and Managing Director of Vrye Advisors, LLC, an investment and merchant banking group.

C. Ronald MacKenzie, *Trustee*. Dr. Mackenzie has been a Trustee for 3 years. He is a physician at the Hospital for Special Surgery in New York, New York and specializes in Rheumatic Disease.

Management

Mark R. Zwerger, *Chief Executive Officer*. Mr. Zwerger joined the Institution in 1988 to spearhead its development of the current Campus. With over forty years of professional experience in health care, Mr. Zwerger previously served as Chief Executive Officer of the Good Shepherd Fairview Home, a 200 unit continuing care retirement community in Binghamton, New York. Mr. Zwerger is a former Chairman of the Board of Alliance Continuing Care Network and currently serves as Chairman of Board of Alliance Billing Services (an offshoot of ACCN) which provides physicians billing services to nursing facilities in the New York City area. He is also a former member of LeadingAge House of Delegates and served on the Board of Directors and Executive Committee of LeadingAge New York. Mr. Zwerger completed graduate course work at the State University Center at Binghamton from 1985 through 1988 and earned his Bachelors of Science Degree in Administration of Health Services at Ithaca College in 1971.

Nathan P. Soffio, *Chief Financial Officer, Treasurer*. Mr. Soffio joined the Institution in 1992 as the Chief Financial Officer. Mr. Soffio previously served as Vice President and Controller at F.D. Rich Co., Incorporated, a real estate development, construction and property management firm. His responsibilities included cash management, tax planning and compliance, financial reporting and budgeting. He also served as the corporation's liaison with lenders for financial compliance, projections and planning. Mr. Soffio was also responsible for purchasing and administering the corporation's insurance policies and was the Pension Plan Administrator. Mr. Soffio's prior public accounting experience was with Capposella, Cohen, Engelson & Coleman, and Kahn Steiger and Company. In 1979, Mr. Soffio received a Bachelors of Science Degree from Boston College.

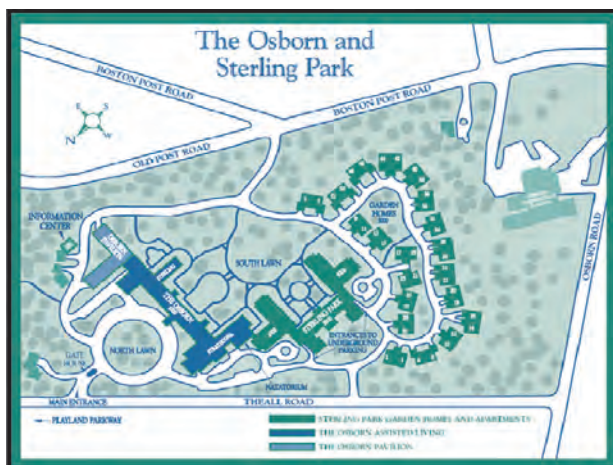
Kathleen M. Lonergan, *Chief Clinical Officer*. Ms. Lonergan joined the Institution in 1996 as director of Business Development. Ms. Lonergan previously was Director of Business Development at the Visiting Nurse Service of New York. Ms. Lonergan is the principal advisor to the board and management on all matters of a clinical nature. She directly oversees the Institution's Medical Department, Assisted Living, Memory Care, Homecare, employee health, and companywide performance improvement. Ms. Lonergan serves on the Board of LeadingAge New York, and the New York State Association of Health Care Providers. Ms. Lonergan received her Master of Arts in Nursing at New York University in 1980 and went on to receive a Masters of Business Administration at Columbia University School of Business in 1983.

Jane Fox, Director of Marketing. Ms. Fox joined the Institution in 2002 as Director of Marketing. Prior to joining the Institution, Ms. Fox had a career in Brand Management at Procter & Gamble (Cincinnati) and Carnation/Nestle. Ms. Fox also previously served as Advertising Account Management Supervisor at Dailey & Associates (Interpublic) and was a strategy development consultant at Lubin Lawrence, Inc. Ms. Fox has expertise in non-profit marketing, public relations, and fund development from serving on boards of four Connecticut non-profits. Ms. Fox graduated Magna Cum Laude from Wellesley College with a B.A. and from Wharton Graduate School with an M.B.A. in Marketing.

The Campus

The Campus, located in Rye, New York, is on approximately 56 acres and is comprised of 188 entrance fee independent senior living units commonly known as “Sterling Park at The Osborn,” 96 rental independent and assisted living units (the assisted living is known as “Assisted Living at The Osborn”) and a skilled nursing bed facility with 84 beds known as “The Osborn Pavilion.” The number of rental units fluctuates because the Institution periodically combines units to meet customer demand.

Sterling Park at The Osborn (Independent Living Entrance Fee Units). The Sterling Park at The Osborn consists of 188 independent living entrance fee apartments contained within three connected residential buildings in four story configurations (the “Independent Living Entrance Fee Buildings”) and 20 duplex garden homes. The garden homes contain attached garages, two decks and basements, some of which are finished. A fitness center and a natatorium which contains an indoor pool are operated by the Rye YMCA. The common areas for the Independent Living Entrance Fee Buildings are located in the central building and include a bistro dining room, library, game room, a 24-seat theater, a convenience store, and administrative offices.



Assisted Living at The Osborn (Rental Independent Living & Assisted Living Units). The Institution has approximately 96 independent and assisted living apartments contained within three connected residential buildings in five story configurations (the “Main Buildings” or the “Sterling, Osborn, and Strathcona Buildings”). The number of apartments available for rent fluctuates due to the Institution periodically combining units to meet customers’ requests. As of July 1, 2012, the Institution operates 96 rental independent and assisted living units. The center building, known as “The Osborn Building”, opened in 1908 on the Campus. The “Sterling Building” was built in the 1930’s and the Osborn Building and the “Strathcona Building” were each built in the 1920’s. All three buildings have been periodically renovated, most recently in 1998-2000. Common areas for the Main Buildings include five dining rooms, the main campus production kitchen, two libraries, an interfaith chapel, beauty salon, the approximately 200-seat Sterling Theater, conference and training rooms, administration and support staff offices, along with several lounges and parlors. All rental apartments can be used for either independent or assisted living depending on the needs of the resident. Assisted living services are provided to up to 80 individuals in studio and one and two bedroom units in the Institution’s Sterling, Osborn and Strathcona buildings. Each unit is equipped with a full bathroom with shower and a fully functional kitchen with microwave, refrigerator, sink, counters and cabinets. The assisted living setting also offers multiple common areas of various sizes.

The Osborn Pavilion (Skilled Nursing Facility). The Osborn Pavilion contains approximately 84 private resident rooms, clustered in groups of seven and eight, located in a separate two-story building connected to Sterling Building. The common areas include two resident dining rooms, service and support, rehabilitation, activity and bathing areas and administrative offices. There are three separate entrance areas, including access from the underground parking garage, hallway connection with the independent and assisted living rental buildings, and a separate outdoor entrance with a parking lot. The Osborn Pavilion is available for occupancy by residents from the other levels of care on the Campus and from the outside community.

Development of the Campus

In 2001, the Institution completed a major ten-year renovation and expansion project which included (i) construction of The Osborn Pavilion, (ii) construction of Sterling Park at The Osborn, (iii) renovations to the Main Buildings to create 104 assisted living and rental independent living units, (which has since been reduced to 96 units) and (iv) construction of a new natatorium with swimming pool and spa. A renovated and expanded rehabilitation center opened in The Osborn Pavilion in March of 2012.

The Institution intends to construct a new 13-bed memory care unit in 2012 which is scheduled to open in early 2013. Approximately six rental independent and assisted living units were taken out of service to create the new memory care unit. In addition, the Institution intends to apply a portion of the Series 2012 Bonds to undertake a comprehensive improvement and renovation project relating to the existing common areas as well as every apartment on the Campus (the "Renovations"). Based on projected resident turn-over, the Renovations are expected to be completed by 2020 and include both upgrades as well as ongoing replacement and maintenance projects.

Services Provided on the Campus

The Institution provides a continuum of care services to its Campus residents in independent living, assisted living, and skilled nursing. The continuum includes medical services, adult day healthcare, skilled nursing, social and dietary services, occupational, physical and speech therapy, religious services, recreational activities, podiatry, ophthalmology, dentistry, transportation, a beauty salon and a barber shop. The Institution also provides home care services off campus in the surrounding Westchester communities and outpatient services to campus residents and people living in the surrounding communities. The Osborn is a fee-for-service community which means the independent living residents are responsible for paying the established fees for assisted living and skilled nursing care services.

Independent Living: Sterling Park. Sterling Park is the designation for independent living entry-fee and rental apartments on the Campus.

Assisted Living at the Institution. Many of the residents who live in the Institution's Sterling, Osborn and Strathcona buildings receive assistance with activities of daily living through the personal care services offered by Osborn Home Care. All assisted living residents are covered by the Institution's "General Electric Quiet Care" system. The Quiet Care system is designed to monitor resident movement and uses General Electric's software to analyze movement and identify opportunities for intervention to prolong independence. The Osborn currently has an exclusive contract with GE for its primary market.

Skilled Nursing and Rehabilitation Services. The Osborn Pavilion skilled nursing facility offers long-term skilled nursing care and inpatient and outpatient physical, occupational and speech therapy in a newly renovated rehabilitation center. All of the beds in the Osborn Pavilion are licensed to provide services to Medicare and private pay residents. Long-term care residents typically move to The Osborn Pavilion because they have Alzheimer's disease or other forms of dementia.

Short-term inpatient rehabilitation patients and outpatient rehabilitation clients as well as some long-term care residents receive services in the new rehabilitation center. The facility includes a kitchen and bathroom designed to prepare residents to transition back to home, as well as a hydro-track therapy pool and Biodex weight bearing machine for therapies requiring advanced care.

Skilled nursing care in The Osborn Pavilion is provided in private rooms by registered nurses, licensed practical nurses and certified nursing assistants. The organization employs a medical director, as required by the New York State Health Code who arranges for the delivery of medical care. The daily rate including the mandatory New York State 8% cash receipts assessment tax is \$530.

The Osborn Pavilion contains a medical suite which includes exam rooms and provides access to primary care, cardiology and podiatry services through an on-campus satellite office of WESTMED Medical Group.

Osborn Home Care. Sterling Home Care, Inc., doing business as “Osborn Home Care,” is a membership organization whose sole member is the Institution. Osborn Home Care’s activity is included in the Institution’s consolidated financial statements set forth in Appendix B attached hereto.

A New York State Licensed Home Care Agency, Osborn Home Care has been providing home care services since 1996. Registered nurses provide care management services for clients and supervise an Osborn Home Care certified home health aide in providing care in accordance with a customized care plan developed by the registered nurse. In each year in 2009, 2010 and 2011 the Osborn Home Care staff completed more than 250,000 client visits. All Osborn Home Care services are subject to New York State Department of Health Surveys, approximately every 2-3 years. The most recent survey was in February 27, 2012.

Currently, the Institution is the sole corporate member of Osborn Home Care. The Institution’s management is considering revising its corporate structure such that a newly formed entity may, in the future, serve as the parent of the Institution, Osborn Home Care and other affiliate entities. If such restructuring is undertaken, however, the Loan Agreement shall remain a general obligation of the Institution and the pledge granted to the Authority by Osborn Home Care pursuant to the Gross Receipts Pledge And Security Agreement shall remain in place as additional security for the Institution’s obligations under the Loan Agreement.

Memory Care Services. The Osborn Memory Care Center (the “Memory Care Center”) is expected to open in 2013. It is designed to offer care to approximately 13 residents with dementia in a renovated facility that will include private rooms with full bathrooms and several open areas for dining, art, music, exercise, leisure. The Memory Care Center will be a distinct unit of the licensed assisted living program and will be staffed continuously by certified Home Health Aides with special training in the care of residents with dementia and managed by a supervisor dedicated to the unit.

Dining Services. The Dining Department at the Institution is managed by a Director and an Executive Chef who both are graduates of the Culinary Institute of America in Hyde Park. They operate three dining rooms in Sterling Park: a bistro, a formal dining room and a buffet/grill room.

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Professional Staff, Other Employees and Employee Relations

The Institution's employees do not belong to any unions. The Institution offers employees access to a comprehensive benefits package including medical, dental, health, life, and disability insurance, a Flexible Spending Account and a 403(b) defined contribution pension plan. A breakdown of the Institution's 2011 full time equivalent employees follows.

Staff	Institution FTE's (excluding Osborn Home Care)	Osborn Home Care FTE's	Institution Total FTE's
Management and Supervisors	37.70	1.00	38.70
Technicians and Specialists	17.53	0.00	17.53
Registered Nurses	9.02	2.83	11.85
Licensed Practical Nurses	20.34	0.00	20.34
Certified Nurse Aides and Orderlies	46.87	0.00	46.87
Clerical and Administrative	21.12	2.40	23.52
Environmental Services, Laundry & Dining Services	98.74	0.00	98.74
Home Health Aides	0.00	139.67	139.67
Total	251.32	145.90	397.22

Source: Institution Records

In addition, the Institution's in-house rehabilitation department in the skilled nursing facility employs two physical therapists and two physical therapy assistants, one occupational therapist and one occupational therapy assistant, and one physical therapy aide.

Licenses, Accreditation and Memberships

The Institution has an operating certificate issued by the New York State Department of Health for its nursing facility and its licensed home care services agency. The Institution provides care to its assisted living residents under its Licensed Home Care Services agency. The Institution has applied to the New York State Department of Health for its Assisted Living license. The Institution is accredited by CARF-CCAC, an independent accrediting organization of continuing care retirement communities.

Environmental Assessment

The Institution retained Carlin-Simpson & Associates (the "Environmental Consultant") to perform a Phase I Environmental Site Assessment (the "ESA") in May of 2012 for the Campus. This assessment was prepared in general accordance with the American Society of Testing and Materials (ASTM) Standard Practice for Environmental Site Assessments: Phase I Environmental Site Assessment Process (ASTM Designation: E1527-05). The purpose of this assessment was to identify, to the extent feasible, recognized environmental conditions in connection with the Campus. This assessment included a site reconnaissance, as well as a records search, and interviews with local government agencies and property representatives. The ESA revealed no historical or current recognized environmental conditions in connection with the subject property.

The ESA found asbestos containing materials present in areas within the Osborn, Strathcona, and Sterling Buildings. The presence of asbestos containing materials is a de minimis condition, not a recognized environmental condition. The ESA also revealed that the Campus has 12,755-gallons of No. 2 fuel oil storage in one underground and six aboveground storage tanks. Deficiencies relating to the storage tanks were also noted by the Westchester County Department of Health during a recent site inspection. Based on the quantity of fuel oil stored at the site, the storage tanks were deemed an environmental concern by the Environmental Consultant. However, six of the tanks are aboveground and are not likely to impact the Campus. There is also no evidence of a past release from any of the aboveground tanks. In addition, the 10,000-gallon underground tank passed a required tightness tests, there is no evidence of a past release from the tank, and the tank is monitored regularly by facility staff. Based on these

findings, the Environmental Consultant concluded that there is no material threat of a release and the storage tanks on the Campus are not a recognized environmental condition. The ESA did recommend that certain remaining deficiencies noted in the Westchester County Department of Health Inspection Report be addressed by the Institution in an expeditious manner and the Institution's Management is currently diligently pursuing such remediation.

The ESA concluded that in the professional opinion of the Environmental Consultant, a Phase II Environmental Site Investigation (ESI) is not warranted for the Campus.

Conflicts of Interest

There are no business relationships between the Institution or its affiliates, on the one hand, and current members of their governing boards, on the other hand. Members of the governing boards may from time to time be associated with firms that have business relationships with the Institution or one of its affiliates. The bylaws of each corporation require members of its governing board to disclose potential or actual conflicts of interest and to abstain from voting on any matter in which the conflict exists. Any dealings between any affiliate and a member of its governing board must be at arm's length.

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Unit Mix, Occupancy and Payer Mix

The current occupancy and payer mix for the Institution’s facilities are set forth in the following tables:

Historic Occupancy

Care Level:	Buildings	Total units	2010 Occupancy	2011 Occupancy	2012 YTD** Occupancy
Independent Living (Entrance Fee)	Sterling Park at The Osborn (148 units) & Garden Homes (40 units)	188	97%	95%	98%
Independent & Assisted Living (Rental)	Osborn, Sterling and Strathcona Buildings*	96 *	87%	95%	96%
Skilled Nursing	The Osborn Pavilion	84	95%	94%	93%

* Six apartments were taken out of service in early 2011. These units are in the process of being converted into a 13-bed memory care unit and are not included in the 96 total unit calculation shown above.

** Represents period commencing January 1, 2012 through May 31, 2012

Source: Institution records

The Osborn Pavilion Payer Mix

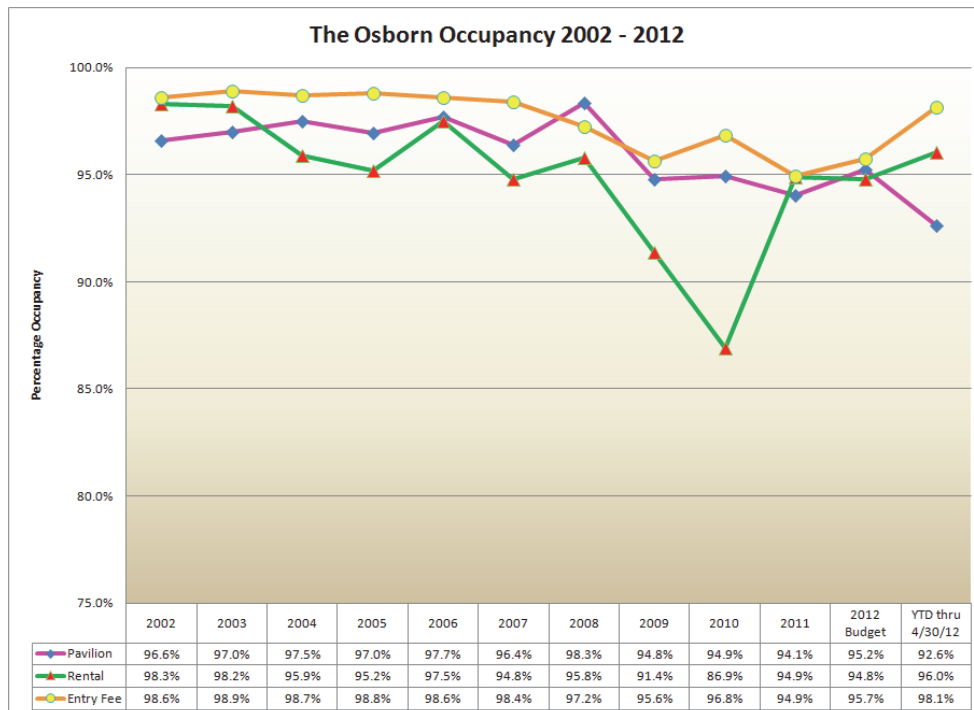
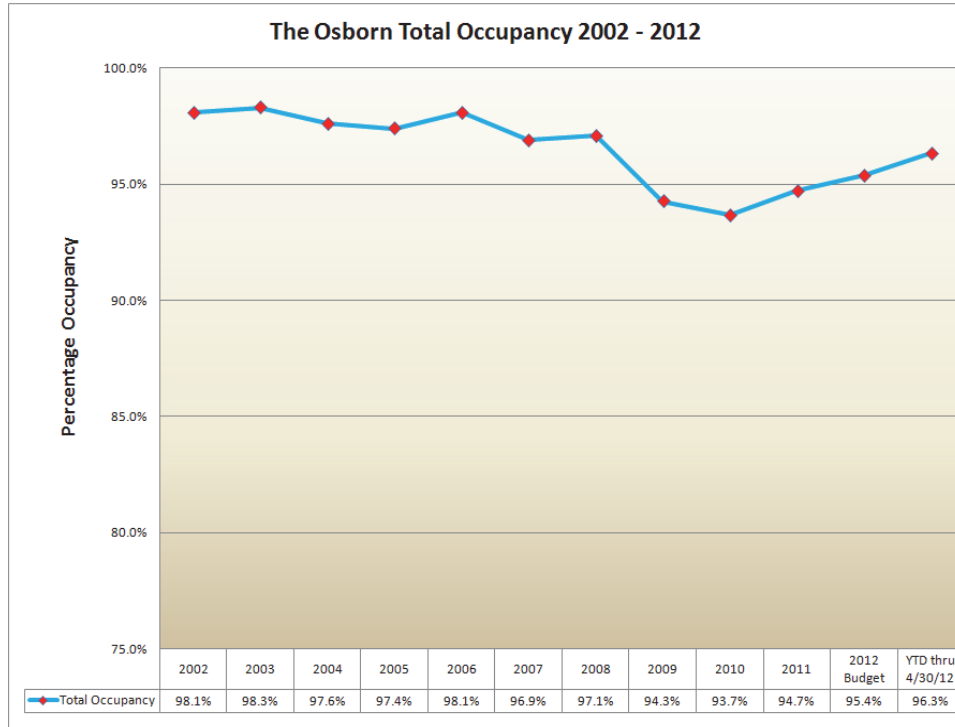
	2010	2011	2012 YTD*
Private	64%	58%	54%
Medicare	23%	31%	30%
HMO and Charity	13%	11%	16%

* Represents period commencing January 1, 2012 through May 31, 2012

Source: Institution records

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The following charts describe the history of the Institution's occupancy rates:



Source: Institution Records

Skilled Nursing – Private Pay and Government Reimbursement Programs

A brief synopsis of the private pay and government reimbursement methodologies applicable to the Institution is as follows:

The Institution receives reimbursement payments for residential skilled nursing facility care from Medicare and the resident's resources ("private pay"). Medicare, a federal program, pays for residential services for a limited period of time, depending on the medical condition of the patient, frequently in connection with discharge and recovery from a hospital stay. If the patient continues to need residential care, he or she will pay the private pay rate. A resident must exhaust their private financial resources before applying for the Institution's charity care program.

Medicare Reimbursement. Effective July 1998, a Medicare payment system for skilled nursing facilities replaced the cost-based payment methodology with a prospective payment system ("PPS"). Under PPS, skilled nursing facilities are paid a base rate, adjusted for regional wages and the resident's clinical characteristics. The average daily Medicare rate paid to the Institution in 2011 was \$514.

Private Pay. The Institution sets a single private pay rate for its residents annually. The rate is determined by a number of factors, including, but not limited to, the operating costs of the Institution. The Institution's current private pay rate, including the cash receipts assessment tax for its skilled nursing facility, is \$530 per day.

Service Fees for Entrance Fee Independent Living Units

The service fees relating to the Institution's entrance fee apartments and garden homes are set forth in the following table:

Type of Unit	Square Feet	Entrance Fee	Monthly Fee	Number of Units
1 Bedroom Apartment	756 – 757	\$455,550 - \$481,986	\$3,653 - \$3,681	38
2 Bedroom Apartment	1,031 – 1,787	\$638,284 - \$1,112,935	\$4,090 – \$5,274	102
3 Bedroom Apartment	1,706 – 1,900	\$1,172,872 - \$1,241,371	\$5,398 - \$5,675	8
Garden Home	1,660	\$1,250,104 - \$1,342,836	\$5,379	40
Second Person Fees	-	\$34,248	\$879	-
Total Units	-	-	-	188

Source: Institution Records.

100% of the entrance fee is refunded to the resident or their estate after they vacate their apartment or garden home and after the apartment or garden home is re-occupied and a new entrance fee is received.

Service Fees for Rental Independent Living & Assisted Living Units

The service fees relating to the Institution’s rental independent living and assisted living units are set forth in the following table.

Unit Type	Square Feet	Independent Monthly Fee	Assisted Living Monthly Fee	Number of Units
Studio	239 – 326	\$4,786 - \$4,992	\$7,676 - \$7,882	9
Alcove	272 – 425	\$4,961 - \$5,432	\$7,851 - \$8,261	10
One Bedroom	319 – 648	\$5,804 - \$6,575	\$8,667 - \$9,511	62
One Bedroom + Den	693 – 700	\$7,080 - \$7,233	\$9,969 - \$10,123	4
Two Bedroom	584 – 1,040	\$7,331 - \$12,000	\$10,074 - \$14,890	10
Three Bedroom	1,465	\$14,671	\$17,561	1
Second Person Fee	-	\$826	\$826	-
Total Units	-	-	-	96

Source: Institution Records

Market Area and Competition

The Institution’s primary market area is Westchester County, New York and Fairfield County, Connecticut, with the Bronx and Manhattan as secondary markets. The cities and towns in the market area which account for two-thirds of Institution residents are:

New York

Rye Harrison Mamaroneck Bronxville
 Scarsdale Larchmont Pelham White Plains

Connecticut

Greenwich

Source: Institution Records

Economic indicators for the primary market area are well above state and national levels, with income and housing values in the local area among the highest in the region. The 2010 census indicated almost 19,000 seniors aged 75+ reside in the Institution's primary market area, an increase of 25% in 10 years as the counties’ populations aged. Over the next twenty years, this segment of the population is expected to grow almost 17%.

The Institution’s occupancy consistently exceeds 95%, with the exception of the recent recession and financial crisis that negatively impacted occupancy at the Institution. Key competitors in the Institution's primary market area include three continuing care retirement communities and many stand-alone assisted living and skilled nursing facilities (see table below). While occupancy at local continuing care retirement communities is approximately 95%, some assisted living and skilled nursing facilities are approximately 90% occupied.

The capacity of the Institution and its key competitors is set forth in the following table.

Existing Continuum of Care	<u>Independent</u>	<u>Assisted Living</u>	<u>Independent and Assisted Living</u>	<u>Skilled</u>	<u>Memory Care</u>	<u>TOTAL</u>
The Institution (Memory Care 2013 Target Opening)	188		101	84	13	386
Edgehill (Stamford, CT)	207	20		60		287
Kendal on Hudson (Sleepy Hollow, NY)	222			42		264
Westchester Meadows (Valhalla, NY)	120	10		20		150
The Wartburg (Mt. Vernon, NY)	31	118		240		389
Hebrew Home (Riverdale, Bronx, NY)				160		160
Proposed Continuum of Care						
The Club at Briarcliff Manor (Briarcliff Manor, NY)	325			60		385
Tollgate (Greenwich, CT)	300					300
“Stand Alone” Independent and Assisted Living						
Fountains at Rivervue (Tuckahoe, NY)		102			24	126
Sunrise of Fleetwood (Mount Vernon, NY)		65			20	85
Willow Towers (New Rochelle, NY)			106		20	126
The Greens at Greenwich (Greenwich, CT)					30	30
Atria (Rye Brook, New York)	168					168
Atria (Stamford, CT)			166			166
Short Term Rehabilitation and Long Term Skilled Nursing Care						
Sarah Neuman (Mamaroneck, NY)				300		300
King Street (Rye Brook, NY)				120		120
Greenwich Woods (Greenwich, CT)				217		217
Nathaniel Witherell (Greenwich, CT)				202		202
Burke Sub-Acute Network (Various Locations, NY)						
Schnurmacher Center (White Plains, NY)				225		225
Andrus-on-Hudson (Hastings on Hudson, NY)				247		247
United Hebrew (New Rochelle, NY)				<u>296</u>		<u>296</u>
TOTAL	1,561	315	373	2,273	107	4,629

Source: Institution Records

Summary of Revenues and Expenses

The summary of revenues and expenses of the Osborn for the fiscal years ended December 31, 2011, 2010, 2009 and 2008 which appears below, has been derived from the Institution's audited financial statements. This summary should be read in conjunction with the audited financial statements of the Institution, the notes thereto and the report of Loeb & Troper thereon included as Appendix B to this Official Statement. Comparative data provided with respect to revenues and expenses of the Institution for the five month periods ended May 31, 2012 and 2011 is unaudited.

	Statement of Operations				Unaudited five month periods ended May 31	
	Fiscal Year ended December 31					
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2012</u>	<u>2011</u>
Operating Revenues	\$44,525,615	\$43,506,049	\$43,506,326	\$43,937,606	\$19,314,972	\$17,926,170
Operating expenses before provision for depreciation and interest expense	<u>\$37,604,397</u>	<u>\$35,822,456</u>	<u>\$37,181,399</u>	<u>\$34,760,865</u>	<u>\$15,741,773</u>	<u>\$15,326,643</u>
Gain(loss) from operations before provision for depreciation and interest expense	<u>\$6,921,218</u>	<u>\$7,683,593</u>	<u>\$6,324,927</u>	<u>\$9,176,741</u>	<u>\$3,573,199</u>	<u>\$2,599,527</u>
Gain(loss) from operations including charity care subsidy before provision (*) for depreciation and interest expense	<u>\$8,825,179</u>	<u>\$9,782,182</u>	<u>\$8,270,722</u>	<u>\$11,293,318</u>	<u>\$4,247,133</u>	<u>\$3,401,280</u>
Interest expense	\$2,582,006	\$2,647,694	\$2,704,585	\$2,758,405	\$1,060,654	\$1,091,018
Depreciation	<u>\$5,678,993</u>	<u>\$5,205,264</u>	<u>\$4,871,055</u>	<u>\$4,557,931</u>	<u>\$2,511,065</u>	<u>\$2,240,600</u>
Gain(loss) from operations after provision for depreciation and interest expense	<u>(\$1,339,781)</u>	<u>(\$169,365)</u>	<u>(\$1,250,713)</u>	<u>\$1,860,405</u>	<u>\$1,480</u>	<u>(\$732,091)</u>
Gain(loss) from operations including charity care subsidy (*) after provision for depreciation and interest expense	<u>\$564,180</u>	<u>\$1,979,010</u>	<u>\$695,082</u>	<u>\$3,976,982</u>	<u>\$675,414</u>	<u>\$69,662</u>
Nonoperating items						
Realized and unrealized gains and losses, on investments	(\$1,038,509)	\$3,669,111	\$6,880,677	(\$14,990,261)	\$987,853	\$1,545,493
Pension and postretirement benefit liability	<u>(\$5,819,188)</u>	<u>(\$1,275,428)</u>	<u>\$726,067</u>	<u>(\$5,450,903)</u>	<u>\$47,497</u>	<u>\$52,143</u>
Change in Net Assets before charity care subsidy	<u>(\$8,197,478)</u>	<u>\$2,224,318</u>	<u>\$6,356,031</u>	<u>(\$18,580,759)</u>	<u>\$1,036,830</u>	<u>\$865,545</u>
*- Charity care subsidy (per note 1 resident fees - charity care audited financial statement)	\$1,903,961	\$2,148,375	\$1,945,795	\$2,116,577	\$673,934	\$801,753

Management's Discussion of Operations

Five month period ending May 31, 2012 vs. May 31, 2011. The gain (loss) from operations excluding the charity care subsidy for this period went from a loss of (\$732,091) in 2011 to a surplus of \$1,480 in 2012. Revenues for the five month period ended May 31, 2012 were 7.8% higher than the five-month period ended May 31, 2011. This increase was due to higher occupancy and higher home care revenue. Over the same five-month period, operating expenses increased by 2.7% primarily due to higher home care case volume and an increase in wages. The Institution's spending policy contemplates spending approximately five percent of the prior year ending investment balance on charity care. The charity amount for the five month period in 2011 was \$801,753 and \$673,934 for 2012.

Fiscal year ended December 31, 2011 vs. December 31, 2010. The net operating loss, excluding the charity care subsidy, for the years ended December 31, 2011 and December 31, 2010, was approximately (\$1,339,781) and (\$169,365) respectively. The operating surpluses including the charity care subsidy for these periods were approximately \$564,180 for 2011 and approximately \$1,979,010 for 2010.

The reasons that the operating loss excluding the charity care subsidy increased in 2011 are as follows:

- An increase of approximately (\$474,000) in depreciation that was due to higher capital expenditures in 2011.
- Higher workers' compensation expense was due to a onetime adjustment to the workers' compensation reserve of (\$558,765) for prior year claims. There were no new claims in 2011.
- Real estate tax expense was higher (\$264,000) in 2011.

The charity amount was \$1,903,961 for 2011 and \$2,148,375 for 2010.

Prior to June 30, 2011, the Institution supported a noncontributory defined benefit plan. Effective June 30, 2011, the defined benefit plan was frozen and replaced with a defined contribution plan commencing July 1, 2011. As of December 31, 2011, the Institution's long-term and short-term pension liability associated with the defined benefit plan was \$10,623,790 and \$1,835,298, respectively. The current funded status of the frozen pension plan is 80%.

Fiscal year ended December 31, 2010 vs. December 31, 2009. The net operating loss, excluding the charity care subsidy, for the years ended December 31, 2010 and December 31, 2009, was (\$169,365) and (\$1,250,713) respectively. The operating surpluses including the charity care subsidy for these periods were approximately \$1,979,194 for 2010 and approximately \$695,082 for 2009. The operating loss excluding the charity care subsidy decreased due to lower legal fees, lower real estate taxes and lower pension costs. The charity amount was \$2,148,375 for 2010 and \$1,945,795 for 2009.

Fiscal year ended December 31, 2009 vs. December 31, 2008. The net operating loss/surplus, excluding the charity care subsidy, for the years ended December 31, 2009 and December 31, 2008, was (\$1,250,713) and \$1,860,405 respectively. The operating surpluses including the charity care subsidy were approximately \$695,082 for 2009 and approximately \$3,976,982 for 2008. The operating loss excluding the charity care subsidy increased in 2009 due to lower occupancy, higher pension costs, higher workers compensation expense and higher legal fees. The charity amount was \$1,945,795 for 2009 and \$2,116,577 for 2008.

Investments

The Institution's investment portfolio is governed by the Investment Committee of the Board of Trustees, and supported by New Providence Asset Management as investment consultant. The Investment Committee has the responsibility for maintaining the investment policy including the spending policy, asset allocation, rebalancing of the portfolio, and hiring managers and consultants. The Investment Committee generally meets at least quarterly with the Institution's investment advisor and consultants to review performance, asset allocation and any other issues.

The goal of the investment policy is to support the charitable mission and provide for the long term sustainability of the Institution. The current asset allocation of the Institution's investment portfolio is 75% equity and 25% fixed income. Hedge funds are permitted and limited to 20% of the total portfolio. No single hedge fund can exceed 5% of the total portfolio.

Investment Balances

	<u>12/31/2008</u>	<u>12/31/2009</u>	<u>12/31/2010</u>	<u>12/31/2011</u>	<u>5/31/2012</u>
Fixed Income	\$ 10,668,644	\$ 12,658,221	\$ 12,983,667	\$ 11,713,236	\$ 9,841,515
Equity	\$ 20,138,319	\$ 27,465,452	\$ 19,308,794	\$ 18,433,780	\$ 19,036,192
Hedge funds	<u>0</u>	<u>0</u>	<u>\$ 6,151,588</u>	<u>\$ 6,123,754</u>	<u>\$ 6,466,740</u>
Total	\$ 30,806,963	\$ 40,123,673	\$ 38,444,049	\$ 36,270,770	\$ 35,344,447

The market value of the Institution's investments was \$35,344,447 as of May 31, 2012.

Charity Care and Fund Raising

The Institution subsidizes the care for a limited number of residents who reside in rental independent and assisted living units and The Pavilion. The table below summarizes the number of charity care residents and patients.

	2010	2011	YTD 2012
Skilled Nursing	9.8	8.8	7.1
Assisted Living	2.6	3.5	3.0
Independent Living	2.2	2.0	2.0

The Institution's spending policy contemplates spending approximately five percent of the prior year's ending investment balance on charity care. The Institution utilized 4.7% and 5.0% of the market value of the investment portfolio in fiscal 2011 and 2010, respectively. The spending for the 2012 fiscal year is expected to be approximately 5.0% of the investment portfolio market value as of the beginning of the fiscal year ended December 31, 2011.

The Institution obtains donations each year through a series of organized events to fund a portion of the charity care. The average annual amount of donations the Institution received during the past three years was approximately \$300,000. The Institution's fundraising program operates throughout the year. It includes a planned giving program, galas with silent auctions, direct mail appeals, and the proceeds of an on-campus thrift shop. Funds raised support the improvement of the quality of life for residents, the Institution's charity care program, and periodic ongoing renovation and capital improvement programs throughout the Campus.

Outstanding Indebtedness

As of August 1, 2012 the long term indebtedness of the Institution, including the current portion of such indebtedness, was \$36,810,000 constituting the remaining outstanding principal balance of the Authority's The Miriam Osborn Memorial Home Association Revenue Bonds, Series 2000 which will be refunded with proceeds of the Series 2012 Bonds.

Contract Affiliations

The Institution is a party to "Patient Transfer Agreements" with Hospital for Special Surgery, Lawrence Hospital, Greenwich Hospital, The Wartburg Home, Sound Shore Medical Center and Northern Westchester Hospital Center, White Plains Hospital, Sarah Neuman Nursing Home, Andrus on Hudson and St. Cabrini Nursing Home. The Agreements provide for orderly transfer of patients from one facility to the other in accordance with the needs of the patients in order to insure continuity of care and treatment appropriate to the needs of all patients in their respective facilities. In addition, The Osborn Pavilion has a contract with Hospice and Palliative Care of Westchester (HPCW) as a provider of services to selected Pavilion residents and a contract with Visiting Nurse Service of Westchester and Putnam (VNSWP) to facilitate resident transition to post-acute care. Osborn Home Care is a contracted provider of paraprofessional services for HPCW and VNSWP.

Insurance

The Institution maintains comprehensive all-risk form property insurance as well as professional liability, general liability and directors' and officers' liability insurance. The property, professional liability, general liability and directors and officers liability insurance is provided by commercial carriers and is subject to deductibles.

Litigation

The Institution has no litigation or proceedings pending or, to its knowledge, threatened against it that could materially adversely affect the financial condition or operations of the Institution, or which would result in liabilities except for:

(1) Litigation being defended by counsel to the Institution or by counsel to insurance companies on behalf of the Institution, the probable liabilities for which, in the opinion of management, are within the Institution's insurance policy coverages; and

(2) Litigation, the probable liabilities for which, after exhaustion of available insurance proceeds, if any in the opinion of management, will not have a materially adverse effect on the Institution's operations or financial condition.

Future Plans

The Institution is converting the first floor of the Sterling Building that previously contained five six rental independent and assisted living apartments, the beauty salon, and some support spaces to a 13 bed memory care unit. The cost of the renovation will be funded with Institution funds and the new memory care unit is expected to open in 2013.

PART 8- RISK FACTORS

Set forth below are certain risk factors that should be considered before any investment in the Series 2012 Bonds is made. Certain risks are inherent in the successful operation of facilities such as the Institution's Campus. This section discusses some of these risks, but is not intended to be a comprehensive list of all risks associated with the operation of the Campus or the payment of the Series 2012 Bonds.

AN INVESTMENT IN THE SERIES 2012 BONDS INVOLVES A SIGNIFICANT DEGREE OF RISK, AND INVESTMENT IN THE SERIES 2012 BONDS MAY ALSO BE SUBJECT TO CERTAIN RISKS, AS DESCRIBED BELOW. A BONDHOLDER IS ADVISED TO READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING THE APPENDICES HERETO. REFER TO THE SECTION "SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2012 BONDS," AND THIS SECTION FOR A DISCUSSION OF CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE SERIES 2012 BONDS.

The factors listed below, among others, could adversely affect the Institution's operation and revenues and expenses of the Campus to an extent which cannot be determined at this time.

General

Payment of the Series 2012 Bonds will depend on the Institution's ability to generate revenues sufficient to pay debt service on the Series 2012 Bonds and any other indebtedness, while paying operating expenses of the Campus and maintaining required levels of liquidity. The Institution's ability to generate revenues and its overall financial condition may be adversely affected by a wide variety of unforeseen events and conditions, including escalation in the costs of operating the facilities comprising the Campus or other construction expenditures that may be undertaken, changes in demand for facilities similar to those provided by the Institution, fluctuations in public confidence both in the Campus and the services it provides, changes in government licensing procedures, regulation and competition and changes in the rules and guidelines governing reimbursement for health care by third party payors. Certain specific risks are discussed below.

Limited Obligations of the Authority

The Authority is not obligated to pay the principal of, or interest on, the Series 2012 Bonds except from the Revenues and funds pledged therefor under the Resolutions. Neither the faith and credit nor the taxing power of the State of New York or any municipality or political subdivision thereof is pledged to the payment of the principal of, redemption premium, if any, or interest on the Series 2012 Bonds. The Authority has no taxing power.

1 – Pledge of Gross Receipts. The Series 2012 Bonds will be secured by a pledge by the Authority of the Revenues, which consist of payments received or receivable by the Authority pursuant to the Loan Agreement, the Pledge Agreement and the Mortgage. The Loan Agreement is a general obligation of the Institution. To secure the Institution's obligation under the Loan Agreement, the Institution has pledged to the Authority all its rights, title and interests in its Gross Receipts and Sterling, a membership organization whose sole member is the Institution, has pledged the Sterling Gross Receipts to the Authority. The Institution's obligations under the Loan Agreement are also secured by the Mortgage on the Mortgaged Property. The Series 2012 Bonds are additionally secured by all funds and accounts established under the Resolutions (excluding the Arbitrage Rebate Fund). The Resolutions also establish a Debt Service Reserve Fund which shall be funded upon the delivery of the Series 2012 Bonds at the Debt Service Reserve Fund Requirement for the Series 2012 Bonds.

Subject to certain provisions set forth in the Loan Agreement, the Institution may incur indebtedness secured on a parity with respect to the security interests in the Gross Receipts and Sterling Gross Receipts and/or Mortgaged Property securing the Series 2012 Bonds. The Institution's ability to operate the Campus depends in large part on achieving and maintaining certain occupancy levels throughout the term of the Series 2012 Bonds. However, no assurance can be made that the revenues derived from the Institution's facilities will be sufficient, after payment of operating expenses of the Institution's facilities, to make payments under the Loan Agreement sufficient to pay the maturing principal of, premium, if any, and interest on the Series 2012 Bonds when due.

2 – Revenues received from operation of the Institution's facilities by a receiver upon an Event of Default. Attempts to have a receiver appointed to take charge of the Institution's facilities are frequently met with defensive measures such as the initiation of protracted litigation and/or the initiation of bankruptcy proceedings, and such defensive measures can prevent the appointment of a receiver or greatly increase the expense and time involved in having a receiver appointed. Accordingly, the prospects for uninterrupted payment of principal and interest on the Series 2012 Bonds is largely dependent upon the source described in (1) above, which, in turn, is wholly dependent upon the success of the Institution to operate its facilities in a profitable manner.

3 – Proceeds realized from the sale or lease of the Institution's facilities to a third party by the Authority or Trustee. Attempts to sell or foreclose on commercial property or otherwise realize upon security for obligations may be met with defensive measures such as protracted litigation and/or bankruptcy proceedings, and such defensive measures can greatly increase the expense and time involved in achieving such foreclosure or other realization. The Authority or Trustee could experience difficulty in selling or leasing any of the Campus upon foreclosure of the Mortgage due to the nature of the facility and the proceeds of such sale may not be sufficient to fully pay the owners of the Series 2012 Bonds.

The best prospect for uninterrupted payment of principal and interest on the Series 2012 Bonds in accordance with their terms is the source described in (1) above, which is wholly dependent upon the success of the Institution in operating the Campus in a profitable manner. Even if the Institution operates the Campus profitably, other factors could affect the Institution's ability to make payments under the Loan Agreement.

General Uncertainty of Revenues

Certain risks are inherent in the successful operation of facilities such as the Campus. The ability of the Institution to generate sufficient revenues from the operation of the Campus to pay the required amounts under the Loan Agreement is dependent on maintaining certain occupancy levels at the Campus by residents able to pay monthly fees to occupy the independent, assisted living and health center units, which are expected to increase on a regular basis in subsequent years. No representation or assurance can be made that Gross Receipts will be realized by the Institution in amounts sufficient to make the required payments under the Loan Agreement and the Series 2012 Bonds. The realization of future Gross Receipts and control of expenses is dependent upon, among other things, successful marketing, management and operation by the Institution's personnel, future federal funding of certain health care programs, and future economic and other conditions that are unpredictable. In order to provide for the utilization of all the units in the Campus, the Institution must maintain an adequate "market penetration" of the Institution's market area. In addition, the Institution will not evict residents who are unable to pay established charges, provided certain conditions are met. Consequently, the Institution may be required to seek public and private support to assist in providing the funding required for their continued residency. Any of these factors may adversely affect Gross Receipts and payment of debt service on the Series 2012 Bonds.

Failure To Achieve or To Maintain Occupancy or Turnover.

The successful operation of the Campus depends in large part upon the ability of the Institution to attract sufficient numbers of residents to the Campus and to maintain substantial occupancy at the Campus throughout the term of the Series 2012 Bonds. The Institution's ability to maintain high levels of occupancy depends to some extent on factors outside its control. If the Campus fails to maintain a high level of occupancy, there may be insufficient funds to make the required payments under the Loan Agreement, and thus the Series 2012 Bonds. Moreover, if a substantial number of residents live beyond their anticipated life expectancies or if their admissions or transfers from independent living units are substantially less than anticipated by the Institution, or if market changes prevent an increase in the amount of the entrance fees payable by new residents of the Campus, the receipt of additional entrance fees could be curtailed or limited, with a consequent impairment of the Institution's revenues. Such impairment would also result if the Institution were unable to remarket independent living units becoming available when residents die, withdraw, or are transferred to another facility. Demand for services of the Campus could also be affected by many factors, including (1) advances in scientific and medical technology; (2) increased or more effective competition from nursing home and other long-term care facilities, newly established continuing care retirement facilities, assisted living facilities, and apartment complexes which target elderly residents now or hereafter located in the service area of the Campus; and (3) the effects of managed care. Moreover, if a substantial number of independent living unit residents live beyond the anticipated life expectancies assumed by management or if permanent transfers to the Institution's skilled nursing facility are substantially less than assumed by management, or if market changes require a reduction (or limit the rate of increase) in the amount of the Entrance Fees payable by new residents of the Campus, the amount of additional Entrance Fees would be reduced, with a consequent impairment of the Institution's revenues. Such impairment would also result if the Institution is unable to remarket independent living units becoming available when residents die, withdraw, or are permanently transferred to the Institution's skilled nursing facility.

Construction Risks

Construction of the Renovations is subject to the usual risks associated with construction projects, including, but not limited to delay, shortages of materials and adverse weather conditions. Such events could result in delay in occupancy of the units subject to the Renovations and thus the Entrance Fees and other revenue flow therefrom.

Environmental Risks

The Institution obtained a limited environmental assessment of the Campus prior to the issuance of the Series 2012 Bonds, and has no reason to believe that the site has any environmental problems of a material nature. However, if the Campus was found to be environmentally contaminated, the Institution could be required to remediate such contamination and the Institution could be required to pay all or a part of such clean-up costs, which could be substantial. If the Institution were unable to continue operations at the Campus because of environmental contamination, the value of the site at foreclosure would be reduced by the cost of any clean up. There can be no assurance that the Campus is free of environmental problems.

Key Employees of the Institution

The continued operation of the Campus is heavily dependent upon the efforts of management and certain key employees of the Institution. In the event certain staff members left the employment of the Institution, the Institution may not have sufficient employees with the experience or expertise to manage the Campus.

State Regulation; Rights of Residents

The State of New York does not regulate either the content of resident agreements or the payment or establishment of Entrance Fees by continuing care retirement facilities such as those located on the Campus. The Institution is not licensed as a continuing care retirement community under Article 46 of the New York Public Health Law. However, the enactment of legislation restricting operation of life care or similar facilities, creating additional residents' rights or requiring certain financial reserves could adversely affect the financial condition of the Institution. In addition, the ability of the Authority to foreclose its lien on the Campus or enforce other rights under the financing documents may be adversely and materially affected by litigation, or the prospects of litigation, by or on behalf of residents.

Effects of Adverse Conditions in Housing Market

It is anticipated that a majority of prospective Campus residents will be required to sell their current homes to pay the entrance fee prior to occupancy or to meet other financial obligations under their Residency Agreements. Since prospective residents may encounter or continue to encounter difficulties in selling their current homes due to local and national economic conditions affecting the sale of residential real estate, such prospective residents may not have sufficient funds to pay the Entrance Fee or to meet other obligations under their Residency Agreements, thereby causing a delay in scheduled occupancy of the Renovations or the remarketing of vacated units of the Renovations and the other portions of the Campus, either of which could have an adverse effect on the Gross Receipts.

Nature of Income of the Elderly

A large percentage of the monthly income of some residents of the Campus is fixed income derived from pensions and social security. If, due to inflation or otherwise, substantial increases in monthly fees are required to cover increases in operating costs, nursing care costs, wages, benefits and other expenses, residents may have difficulty paying or may be unable to pay such increased monthly fees. The Institution does conduct a financial analysis of each potential resident before executing a Residency Agreement to determine the likely ability of the resident to meet the financial obligations to the Institution; however, no assurance may be given that future events, including life expectancy, will not result in residents encountering difficulty in paying monthly fees.

Competition

Competition from lifecare facilities, continuing care retirement communities, congregate housing, assisted living centers, home healthcare agencies and other long-term care facilities which offer sheltered, assisted living or nursing care now or hereafter located in the Institution's service area could adversely affect its revenues. The Institution may face additional competition in the future from providers of new, expanded, or renovated retirement living and nursing facilities servicing the housing and health care needs of the elderly.

Real Property Taxes

The Institution currently pays real estate taxes and has paid such taxes since 1997. The Institution does not anticipate that its current planned renovations will result in a material increase in its level of real estate taxes. However, there can be no assurance that the amount of real estate taxes the Institution will be assessed will not increase due to future changes in law, assessment practices or local, district, municipal or school revenue needs.

Labor Union and Staffing

Although the employees of the Institution are not represented by a union and the Institution's management is not aware of any labor organizational efforts, senior living facilities are being subjected to increasing union organizational efforts. The future unionization of the Institution's employees could have an adverse effect on the Institution's financial condition. Furthermore, although the Institution has been able to attract desirable employees in the past, low unemployment in the Rye, New York and surrounding areas may adversely affect the availability of and the wages of future staff which in turn may adversely affect the Institution's financial condition. The healthcare industry has experienced a shortage of nursing staff that has resulted in increased costs for healthcare providers due to the need to hire agency nursing personnel at higher rates. If the nursing shortage continues, it could adversely affect the Institution's operations or financial condition.

Availability of Remedies

The remedies available to the Authority, the Trustee and the owners of the Series 2012 Bonds upon an event of default under the Loan Agreement and Resolutions are in many respects dependent upon judicial actions that are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including, specifically, the United States Bankruptcy Code, the remedies provided in the Resolutions may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2012 Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by general principals of equity and by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors' generally and laws relating to fraudulent conveyances.

Bankruptcy

Although there are no creditors with rights senior to the Authority with respect to the Mortgage and the Gross Receipts (subject to the limitations set forth below in "Limitations on Security Interest in Gross Receipts"), bankruptcy and similar proceedings and usual equity principles may affect the enforcement of rights to such security. If such security is inadequate for payment in full of the Series 2012 Bonds, bankruptcy proceedings and usual equity principles may also limit any attempt by the Authority or the Trustee to seek payment from other property of the Institution. The federal bankruptcy laws may have an adverse effect on the ability of the Authority and the bondholders to enforce their claim to the security granted by the Loan Agreement and the Mortgage. Federal bankruptcy law permits adoption of a reorganization plan even though it has not been accepted by the holders of a majority in aggregate principal amount of the Series 2012 Bonds if the bondholders are provided with the benefit of their original lien or the "indubitable equivalent." In addition, if the bankruptcy court concludes that the bondholders have "adequate protection," it may (1) substitute other security for the security subject to the lien of the bondholders and (2) subordinate the lien of the bondholders (a) to claims by persons supplying goods and services to the Institution after bankruptcy and (b) to the administrative expenses of the bankruptcy proceeding. In the event of the bankruptcy of the Institution, the amount realized by the bondholders might depend on the bankruptcy court's interpretation of "indubitable equivalent" and "adequate protection" under the then existing circumstances.

Professional Liability Claims and Losses

The operations of the Institution, and thereby of the Campus, may also be affected by increases in the incidence of professional liability lawsuits against healthcare facilities in general and increases in the dollar amount of patient damage recoveries, resulting in increased insurance premiums and an increased difficulty in obtaining malpractice insurance. The Institution covenants to maintain insurance of such types, against such risks and in such amounts as are customarily carried by similar organizations under the Loan Agreement. It is not possible at this time

to determine either the extent to which such insurance coverage will continue to be available to the Institution or the premiums at which such coverage can be obtained.

National Healthcare Reform

The enactment of The Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively, "PPACA") represents a significant reform of federal health care legislation. Additionally, Congress continues to consider the adoption of additional laws to modify several aspects of such legislation. PPACA is intended to bring about substantial changes to the delivery of health care services, the financing of health care costs, reimbursement to health care providers, and the legal obligations of health insurers, providers, and employers. The numerous provisions of PPACA are slated to take effect at specified times over approximately the next decade, and, therefore, the full consequences of the new laws on the health care industry will not be immediately realized. The ramifications of PPACA provisions may become apparent only as a result of regulatory interpretations promulgated during the implementation of the enacted laws. Portions of the PPACA may also be limited or nullified as a result of legal challenges. Many PPACA provisions could have a significant impact on health care providers, including their operations and revenues, and such impact could be negative. For example, expanded health insurance coverage, in particular, could affect the composition of the population enrolled in various public and private health plans, potentially resulting in a capacity strain on provider networks or unanticipated service costs. PPACA attempts to expand health insurance coverage, generally beginning in 2014, by substantially increasing the federally and state funded Medicaid insurance program, and authorizing states to establish federally subsidized non-Medicaid health plans for low-income residents not eligible for Medicaid. Further, to offset the cost of expanded health care coverage and implementation of reform, PPACA includes cuts in Medicare reimbursement and increased taxes. Cost-cutting provisions will impact health care providers by reducing or eliminating reimbursement for failure to satisfy certain quality requirements and reduction of Medicare market basket updates. Health care providers are likely to be subjected to decreased reimbursement as a result of implementation of recommendations of the Independent Payment Advisory Board, whose directive is to reduce Medicare cost growth. The Independent Payment Advisory Board's recommended reductions would be automatically implemented unless Congress adopts alternative legislation that meets equivalent savings targets. PPACA reduces payments for services to federally-insured patients because Congress expected that providers will realize savings in bad debt and charity care expenses, since they are expected to provide care to fewer uninsured patients as a result of mandated increases in insurance coverage. However, the constitutionality of PPACA provisions designed to expand health insurance coverage has been challenged and federal courts around the United States have issued contradictory rulings on these issues. Members of Congress have proposed a repeal or amendment of the provisions, and there is no assurance that any or all of PPACA's provisions will be implemented. Accordingly, even if the PPACA provisions are fully implemented, there can be no assurance that the Institution will realize sufficient savings in bad debt and charity care expenses to offset reductions in payments for services to Medicare-insured patients. If the revenue received by the Institution for providing services to Medicare-insured patients is insufficient to cover the costs of furnishing the services, and if the Institution does not realize offsetting reductions in bad debt and charity care expenses, the PPACA could have a substantial adverse effect on the Institution. PPACA provisions relating to skilled nursing facilities ("SNFs") include requirements that SNFs (i) make certain disclosures regarding ownership; (ii) implement compliance and ethics programs; and (iii) make certain disclosures regarding expenditures for wages and benefits for direct care staff. In addition, PPACA may affect SNF reimbursement through the creation of value-based purchasing payment program and may place limitations on SNF payments for health care acquired conditions. It is unclear what effect these provisions will have on Institution's finances at this time. Investors are encouraged to review legislative, legal, and regulatory developments as they occur and to assess the elements and potential effects of the health care reform initiative as it evolves.

Medicare

For the year ended December 31, 2011, approximately 23% of the patients of the Institution's skilled nursing facility were Medicare patients. Medicare is a federal insurance program that, among other things, provides reimbursement for nursing facility care in Medicare-certified facilities. Generally, a resident will qualify for Medicare reimbursement only if the resident's admission to the nursing home facility is immediately subsequent to the resident's three or more day stay at an acute care facility. Medicare reimbursement for nursing care is limited to a renewable 100-day period for each qualified resident. Payments are made directly to the Institution for residents qualifying for Medicare on the basis of per diem rates based on resident acuity as well as each facility's allowable

costs for the cost reporting period that began in fiscal year 1995, updated by a factor based on the skilled nursing facility market basket percentage (except in the case of certain facilities in states having a Prospective Payment System demonstration project). Other future legislation, regulation or actions by the federal government are expected to continue the trend toward more limitations on reimbursement for long term care services. At present, no determination can be made concerning whether or in what form such legislation could be introduced and enacted into law. Similarly, the impact of future cost control programs and future regulations upon the Institution's financial performance cannot be determined at this time. The current congressional discussions regarding decreasing the federal budget in connection with raising the federal debt decision may result in lowering Medicare payments to providers such as the Institution.

Medicare Reporting Requirements.

Medicare regulations provide that all entities furnishing services for which payment may be made under Medicare are required to submit certain information to CMS. Persons who fail to submit the required information or who fail to report the information accurately and completely are subject to civil or criminal money penalties. As these requirements are numerous, technical and complex, there can be no assurance that the Institution may not incur such penalties in the future. These penalties could have a material adverse effect on the Institution's revenues and/or its ability to operate.

Government Health Program Regulations Governing Fraud and Abuse and Certain Referrals.

Federal and state health care fraud and abuse laws generally regulate services furnished to beneficiaries of federal (including Medicare) and state and private health insurance plans, and they impose penalties for improper billing and other abuses. Under these laws, health care providers may be punished for billing for services that were not provided, not medically necessary, provided by an improper person, accompanied by an illegal inducement to use or not use another service or product, or billed in a manner that does not comply with applicable government requirements. Violations of these laws are punishable by a range of criminal, civil and administrative sanctions. If the Institution violates one of the fraud and abuse laws, among other possible sanctions, federal or state authorities could recover amounts paid, exclude the Institution from participation in the Medicare program, impose civil monetary penalties, and suspend Medicare payments. The federal government (and individuals acting on its behalf) have brought many investigations, prosecutions and civil enforcement actions under the fraud and abuse laws in recent years. In some cases, the scope of the fraud and abuse laws are so broad that they may result in liability for business transactions that are traditional or commonplace in the health care industry.

There is an increasingly expanding and complex body of state and federal law, regulation and policy relating to relationships between providers of health care services to patients and potential referral sources such as, but not limited to, physicians. The federal and state illegal remuneration statutes and anti-kickback statutes applicable to Medicare, Medicaid, and all federal and state health care programs ("Government Programs") prohibit the offer, payment, solicitation, or receipt of any remuneration, directly or indirectly, covertly or overtly, in cash or in kind, for (1) the referral of patients, or arranging for the referral of patients, for the provision of items or services for which payment may be made under the Government Programs; or (2) the purchase, lease or order, or arranging for the purchase, lease or order, of any good, facility, service or item for which payment may be made under the Government Programs. A violation of the illegal remuneration statute constitutes a felony criminal offense, and applicable sanctions include imprisonment of up to five years, fines up to \$25,000 and exclusion from the Medicare program.

The federal civil False Claims Act ("Civil FCA") prohibits anyone from knowingly submitting a false, fictitious or fraudulent claim to the federal government. Violation of the Civil FCA can result in civil money penalties and fines, including treble damages. Private individuals may initiate actions on behalf of the federal government in lawsuits called qui tam actions. The plaintiffs, or "whistleblowers," can recover significant amounts from the damages awarded to the government. In several cases, Civil FCA violations have been alleged solely on the existence of alleged kickback arrangements or violations of Section 1877 of the Social Security Act (commonly known as the "Stark Law"), even in the absence of evidence that false claims had been submitted as a result of those arrangements. PPACA creates Civil FCA liability for knowingly failing to report and return an overpayment within a specified time. The federal criminal False Claims Act ("Criminal FCA") prohibits the knowing and willful making

of a false statement or misrepresentation of a material fact in submitting a claim to the government. Sanctions for violation of the Criminal FCA include imprisonment, fines, and exclusions.

The Civil Monetary Penalties Law in part authorizes the government to impose money penalties against individuals and entities committing a variety of acts. For example, penalties may be imposed for the knowing presentation of claims that are (i) incorrectly coded for payment, (ii) for services that are known to be medically unnecessary, (iii) for services furnished by an excluded party, or (iv) otherwise false. An entity that offers remuneration to an individual that the entity knows is likely to induce the individual to receive care from a particular provider may also be fined. PPACA amended the Civil Monetary Penalties Law to authorize civil monetary penalties for a number of additional activities, including (i) knowingly making or using a false record or statement material to a false or fraudulent claim for payment; (ii) failing to grant the Office of Inspector General timely access for audits, investigations or evaluations; and (iii) failing to report and return a known overpayment within statutory time limits. Violations of the Civil Monetary Penalties Law can result in substantial civil money penalties plus three times the amount claimed.

In addition to the anti-kickback and illegal remuneration statutes, the Stark Law imposes certain restrictions upon referring physicians and providers of certain designated health services, including long term care services, under the Medicare and Medicaid programs. Subject to certain exceptions, the Stark Law provides that if a physician (or a family member of a physician) has a financial relationship with an entity (I) the physician may not make a referral to the entity for the furnishing of designated health services reimbursable under the Medicare and Medicaid programs, and (II) the entity may not bill for designated health services furnished pursuant to a prohibited referral. Entities and physicians committing an act in violation of the Stark Law are subject to civil money penalties and exclusion from the Medicare and Medicaid programs. Mandated by PPACA, the recently published Medicare self-referral disclosure protocol (“SRDP”) is intended to allow providers to self-disclose actual or potential violations of the Stark Law. PPACA provides for discretion to reduce penalties for providers submitting an SRDP. As a result of the scarcity of case law interpreting the Stark Law, there can be no assurance that the Institution will not be found in violation of the Stark Law or that self-disclosure of a potential violation would result in reduced penalties for the Institution.

The precise impact on the Institution of any of the foregoing violations and corresponding sanctions cannot be predicted at this time, but would be negative if any such sanction is imposed.

Sanctions could be applied in many situations where skilled nursing facilities participate in joint ventures with entities that may be in a position to make referrals or to which skilled nursing facilities may be in a position to make referrals, enter into personal service and management contracts, enter into space and equipment rental agreements, waive co-payments and deductibles, etc. Such sanctions could result in a material adverse effect on the financial position of the Institution, exclusion from Government Programs, loss of license or disciplinary action by licensing agencies, and/or substantial civil monetary penalties.

Management of the Institution does not believe that it is involved in activities that pose a significant risk of sanctions under these referral laws. However, there can be no assurance that such challenge or investigation will not occur in the future.

Audits.

Most health care providers are audited for compliance with the requirements for participation in the Medicare program. If audits discover alleged overpayments, the Institution could be required to pay a substantial rebate of prior payments. The federal government contracts with third-party recovery audit contractors (“RACs”), on a contingent fee basis, to audit the propriety of payments to Medicare providers. The Centers for Medicare and Medicaid Services recently passed rules resulting in several more types of Medicare and or Medicaid audits. Medicare zone program integrity contractors (“ZPICs”), transitioned from the program safeguard contractor (“PSC”) program, target potential fraud and abuse and are tasked with ensuring the integrity of all Medicare-related claims per assigned jurisdiction. PSCs, ZPICs, affiliated contractors (“ACs”), and Medicare administrative contractors (“MACs”) must ensure that they pay the right amount for covered and correctly coded services rendered to eligible beneficiaries by legitimate providers. Four parallel strategies are employed in meeting this goal: (i) preventing fraud

through effective enrollment and through education of providers and beneficiaries, (ii) early detection through, for example, medical review and data analysis, (iii) close coordination with partners, including PSCs, ZPICs, ACs, MACs, and law enforcement agencies, and (iv) fair and firm enforcement policies. The Institution has not received claims or been a party to settlement negotiations outside of the routine audit processes. Nevertheless, ultimate liability could exceed reserves, and any excess could be substantial. Medicare regulations also provide for withholding payment in certain circumstances, which could adversely affect the Institution's cash flow.

Future Healthcare and Regulatory Risks

The Institution is and will continue to be subject to certain governmental regulations. Participants in the healthcare industry are subject to significant regulatory requirements of federal, state and local governmental agencies and independent professional organizations and accrediting bodies, technological advances and changes in treatment modes, various competitive factors and changes in third party reimbursement programs. In addition, the operations of the healthcare industry have been subject to increasing scrutiny by federal, state and local governmental agencies. In response to perceived abuses and actual violations of the terms of existing federal, state and local healthcare payment programs, such agencies have increased their audit and enforcement activities, and federal and state legislation has been considered or enacted, providing for civil and criminal penalties against certain activities.

Bills proposing to regulate or control, in some manner, health care costs and revenues and a number of proposals for a national health insurance program are regularly submitted to Congress. There are wide variations among these proposals and the effect on the health care industry and the Institution cannot be determined. There can be no assurance that the implementation of any such bill or proposal or any future bill or proposal, or the implementation by the federal or state administrative bodies of cost containment or revenue control programs, would not adversely affect the revenues of the Campus, and thus the revenues of the Institution.

In the environment of increasing managed care, the Institution can expect additional challenges in maintaining its resident population and attendant revenues. Third-party payors, such as health maintenance organizations, direct their subscribers to providers who have agreed to accept discounted rates or reduced per diem charges. Continuing care retirement communities and other types of retirement communities are less sensitive to this directed utilization than stand alone skilled nursing facilities; however, the risk may increase and the Institution may be required to accept residents under such conditions should managed care cost reduction measures now pervasive in the health care industry continue to grow.

Damage or Destruction

Although the Institution is required under the Loan Agreement to maintain insurance on the Campus, there can be no assurance that the Institution will not suffer uninsured losses in the future due to events not covered by such insurance or the unanticipated lapse in insurance coverage, or that the amount of any such loss, or the period during which the Campus cannot generate revenues, will not exceed the coverage of such insurance policies, if any.

Liquidation of Security May Not be Sufficient in the Event of a Default

The Campus constitutes the only significant asset of the Institution pledged to secure the Institution's obligations under the Loan Agreement. As a result, the Holders must look solely to the Mortgaged Property, the Gross Receipts, the Sterling Gross Receipts and any funds held under the Resolutions to pay and satisfy the Series 2012 Bonds in accordance with their terms. Bondholders are entirely dependent upon the successful operation of the Institution's facilities and the value of its assets for the timely payment of the principal of, redemption price, if any, and interest on, the Series 2012 Bonds. In the event of a default, the value of the Mortgaged Property may be less than the amount of the outstanding Series 2012 Bonds, because the Mortgaged Property is designed and operated for a narrow use as a retirement facility and the residents of the Campus may claim the right of continued occupancy. The special design features of a retirement facility like the Institution may make it difficult to convert the Mortgaged Property to other uses, which may have the effect of reducing its attractiveness to potential purchasers. Accordingly, in the event of foreclosure and sale of the Mortgaged Property, Bondholders may not receive all principal and interest due under the terms of the Series 2012 Bonds.

Limitations on Security

The Series 2012 Bonds are secured by a pledge of and security interest in the Gross Receipts and the Sterling Gross Receipts and by the Mortgage on the Mortgaged Property. The practical realization of value from property to be derived upon the enforcement of such liens will depend upon the exercise of various remedies specified by the Resolution. The ability of the Authority or the Trustee to exercise certain rights and remedies under the Resolutions, the Loan Agreement, the Pledge Agreement and the Mortgage may be limited by bankruptcy, insolvency, reorganization, or other similar laws or equitable principles relating to or affecting the enforcement of creditors' rights generally.

Limited Assets of the Institution

The Institution's primary business consists of the ownership and operation of the Campus and the operations of Osborn Home Care. Although it may seek donations from groups and individuals, the Institution has no guaranteed sources of funds if revenues from operation of the Campus and operation of Osborn Home Care are not sufficient to cover expenses, including debt service on the Series 2012 Bonds.

Additional Indebtedness

The Loan Agreement and Resolution permit the Institution to incur additional indebtedness which may be equally and ratably secured with the Series 2012 Bonds. Any additional parity indebtedness undertaken by the Institution in accordance with the Resolution would be entitled to share ratably with the holders of the Series 2012 Bonds in any money realized from the exercise of remedies in the event of a default under the Resolution. On the date of incurrence, the issuance of additional parity indebtedness could reduce the Debt Service Coverage Ratio (but not below minimum coverage levels) and subsequent to the incurrence of such additional parity indebtedness could result in the impairment of the ability of the Institution to maintain its compliance with the financial covenants described herein. Even if the Institution complies in all respects with the conditions contained in the Resolution, Loan Agreement for the incurrence of additional indebtedness at the time such additional indebtedness debt is incurred, there can be no assurance that the Institution's incurrence of additional indebtedness will not subsequently have a material adverse effect upon the Institution's ability to timely make the payments under the Loan Agreement necessary to pay the debt service on the Series 2012 Bonds.

Certain Matters Relating to Enforceability of the Resolution

The obligations of the Institution under the Loan Agreement will be limited to the same extent as the obligations of debtors typically are affected by bankruptcy, insolvency and the application of general principles of creditors' rights and as additionally described below. The accounts of the Institution will be used in determining whether various covenants and tests contained in the Loan Agreement (including tests relating to the incurrence of additional indebtedness) are met, notwithstanding the uncertainties as to the enforceability of certain obligations of the Institution contained in the Loan Agreement which bear on the availability of the assets and revenues of the Institution to make payments under the Loan Agreement. The obligations described herein of the Institution to make payments under the Loan Agreement may not be enforceable to the extent (1) enforceability may be limited by applicable bankruptcy, moratorium, reorganization or similar laws affecting the enforcement of creditors' rights and by general equitable principles and (2) such payments (i) are requested to be made from any money or assets which are donor-restricted or which are subject to a direct or express trust which does not permit the use of such money or assets for such a payment; (ii) would result in the cessation or discontinuation of any material portion of the health care or related services previously provided by the Institution from which such payment is requested; or (iii) are requested to be made pursuant to any loan violating applicable usury laws.

Limitations on Security Interest in Gross Receipts

The effectiveness of the security interest in the Institution's Gross Receipts granted in the Loan Agreement and the security interest in the Sterling Gross Receipts granted in the Pledge Agreement may be limited by a number of factors, including: (i) rights of third parties in Gross Receipts or Sterling Gross Receipts converted to cash and not

in the possession of the Authority or Trustee; (ii) certain judicial decisions which cast doubt upon the right of a secured party, in the event of the bankruptcy of the Institution, to collect and retain accounts receivable from Medicare and other governmental programs; (iii) statutory liens; (iv) rights arising in favor of the United States of America or any agency thereof; (v) constructive trusts, equitable or other rights impressed or conferred by a federal or state court in the exercise of its equitable jurisdiction; (vi) federal bankruptcy laws which may affect the enforceability of the security interest in the Gross Receipts and the Sterling Gross Receipts; (vii) present or future prohibitions against assignment contained in any applicable statutes or regulations; and (viii) claims that might arise if appropriate financing or continuation statements are not filed in accordance with the New York Uniform Commercial Code as from time to time in effect.

While the Institution has granted the Authority a security interest in the Gross Receipts pursuant to the Loan Agreement and Sterling has granted the Authority a security interest in the Sterling Gross Receipts pursuant to the Pledge Agreement, neither the Institution nor Sterling are entering into a deposit account control agreement with respect thereto. However, both the Institution and Sterling have covenanted in the Loan Agreement and the Pledge Agreement, respectively, not to execute a deposit account control agreement for the benefit of any other creditor for so long as the Series 2012 Bonds shall remain outstanding unless the Institution shall simultaneously enter into a deposit account control agreement with the Authority for the benefit of the Series 2012 Bondholders. Pursuant to Section 9-304 of the Uniform Commercial Code, to perfect its lien in a debtor's deposit account a secured party must gain "control" over the debtor's deposit account, generally by means of an enforceable agreement between the secured party and the debtor. The Authority will not be gaining such control over the Institution's deposit accounts. However, upon the occurrence of an Event of Default under the Loan Agreement or the failure of the Institution to be in compliance with the Debt Service Coverage Ratio or the Liquidity Covenant (each as defined herein), the Authority, may, in its sole discretion, require the Institution and Sterling to enter into deposit account control agreements with respect to the Gross Receipts and the Sterling Gross Receipts, respectively.

Pursuant to the Loan Agreement, the Institution covenants and agrees to deliver to the Trustee for deposit in the Debt Service Fund all Gross Receipts within ten (10) days following the Institution's receipt thereof unless and until there is on deposit in the Debt Service Fund an amount at least equal to the Debt Service Requirement provided, however, that so long as the Institution makes its monthly payments under the Loan Agreement on time and in full, it is not obligated to deliver any additional Gross Receipts to the Trustee. Any Gross Receipts collected by the Institution that are not required to be paid to the Trustee pursuant to the Loan Agreement, shall be free and clear of the security interest granted by the Loan Agreement and may be disposed of by the Institution for any of its corporate purposes provided that no Event of Default, nor any event which but for the passage of time or the giving of notice, or both, would be an Event of Default, has occurred and is continuing.

Certain Amendments to Resolution

In general, the Resolution permits amendments to be made thereto. See "Appendix D – Summary of Certain Provisions of the Resolution" hereto.

Limited Value at Foreclosure

The number of entities that could be expected to purchase or lease the Campus are limited, and thus the ability of the Authority to realize funds from the sale or rental of the Campus as a retirement community upon an event of default may be limited. Such value may be also limited by actual or alleged rights of residents. The Campus has been specially designed as a retirement community providing for continuing care to its residents. As a result, in the event of default and eviction of the Institution from the Campus, the Authority's remedies and the number of entities that would be interested in purchasing or leasing the Campus as a retirement community might be limited, and the sales price or fees generated by the Campus might thus be adversely affected.

Federal Tax-Exempt Status of the Institution

The Institution has received a letter from the Internal Revenue Service ("IRS") confirming its status as a tax-exempt organization described in Section 501(c)(3) of the Internal Revenue Code. In order to maintain such status, the Institution is required to conduct its operations in a manner consistent with representations it previously made to the IRS and with current and future IRS regulations and rulings governing tax-exempt facilities for the

residence and care of the elderly. In recent years the IRS and members of Congress have expressed concern about the need for more restrictive rules governing the tax-exempt status of 501(c)(3) organizations generally and, in particular, the acceptance of low income residents by facilities such as the Institution and such facilities' ability to utilize tax-exempt financing. Compliance with current and future regulations and rulings of the IRS could adversely affect the ability of the Institution to charge and collect revenues, finance or refinance indebtedness on a tax-exempt basis or otherwise generate revenues necessary to provide for payment of the Series 2012 Bonds. Loss of tax-exempt status would likely have a significant adverse effect on the Institution and its operations and could result in the includability of interest on the Series 2012 Bonds in gross income for federal income tax purposes for holders of the Series 2012 Bonds retroactively to their date of issue.

In the Loan Agreement, the Institution has covenanted to maintain its status as a tax-exempt organization. Although the Institution has covenanted to take all appropriate measures to maintain its tax-exempt status, compliance with current and future regulations and rulings of the IRS could adversely affect the ability of the Institution to charge and collect revenues at anticipated levels, finance or refinance indebtedness on a tax exempt basis or otherwise generate revenues necessary to provide for payment of the Series 2012 Bonds.

Bond Audits

The IRS conducts an audit program to examine compliance with the requirements regarding tax-exempt status, with a particular emphasis on qualified 501(c)(3) bonds, such as the Series 2012 Bonds. Under current IRS procedures, in the initial stages of an audit with respect to the Series 2012 Bonds, the Authority would be treated as the taxpayer, and the owners of the Series 2012 Bonds may have limited rights to participate in the audit process. The initiation of an audit with respect to the Series 2012 Bonds could adversely affect the market value and liquidity of the Series 2012 Bonds, even though no formal determination about the tax-exempt status has been made. If an audit results in a final determination that the Series 2012 Bonds do not qualify as tax-exempt obligations, such a determination could be retroactive in effect to the date of issuance of the Series 2012 Bonds.

Legislation Affecting Series 2012 Bonds

In recent years the IRS and members of Congress have expressed concern about the need for more restrictive rules governing the tax-exempt status of 501(c)(3) organizations generally and of retirement communities in particular. Legislation has been previously introduced restricting the ability of such organizations to utilize tax-exempt bonds unless they maintain a required percentage of low to moderate income residents. Although the Institution has covenanted in the Loan Agreement to take all appropriate measures to maintain its tax-exempt status, compliance with current and future regulations and rulings of the IRS could adversely affect the ability of the Institution to charge and collect revenues at the level required by the Loan Agreement, finance or refinance indebtedness on a tax-exempt basis or otherwise generate revenues necessary to provide for payment of the Series 2012 Bonds.

Other Possible Risk Factors

The occurrence of any of the following events, or other unanticipated events, could adversely affect the operations of the Institution:

- (1) Reinstatement or establishment of mandatory governmental wage, rent or price controls;
- (2) Inability to control increases in operating costs, including salaries, wages and fringe benefits, supplies and other expenses, given an inability to obtain corresponding increases in revenues from residents whose incomes will largely be fixed;
- (3) Unionization, employee strikes and other adverse labor actions which could result in a substantial increase in expenditures without a corresponding increase in revenues;
- (4) Adoption of other federal, state or local legislation or regulations having an adverse effect on the future operating or financial performance of the Institution;

- (5) The cost and availability of energy;
- (6) Increased unemployment or other adverse economic conditions in the service areas of the Institution which would increase the proportion of patients who are unable to pay fully for the cost of their care;
- (7) Any increase in the quantity of indigent care provided which is mandated by law or required due to increased needs of the community in order to maintain the charitable status of the Institution;
- (8) Inflation or other adverse economic conditions;
- (9) Changes in tax, pension, social security or other laws and regulations affecting the provisions of health care and other services to the elderly;
- (10) Inability to control the diminution of patients' assets or insurance coverage with the result that the patients' charges are reimbursed from government reimbursement programs rather than private payments;
- (11) The occurrence of natural disasters, including hurricanes, volcanic eruptions and typhoons, floods or earthquakes, which may damage the facilities of the Institution, interrupt utility service to the facilities, or otherwise impair the operation and generation of revenues from said facilities; or
- (12) Cost and availability of any insurance, such as malpractice, fire, automobile and general comprehensive liability, that organizations such as the Institution generally carry.

PART 9- THE AUTHORITY

Background, Purposes and Powers

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

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

municipalities, to provide health facilities for voluntary non-profit corporations, to make its services available to the State Department of Correctional Services, to make its services available to municipalities to provide for the design and construction of local correctional facilities, to provide services for the design and construction of municipal buildings, and to make loans to certain voluntary agencies with respect to mental hygiene facilities owned or leased by such agencies.

The Authority has the general power to acquire real and personal property, give mortgages, make contracts, operate dormitories and other facilities and fix and collect rentals or other charges for their use, contract with the holders of its bonds and notes as to such rentals and charges, make reasonable rules and regulations to assure the maximum use of facilities, borrow money, issue negotiable bonds or notes and provide for the rights of their holders and adopt a program of self-insurance.

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

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

At June 30, 2012, the Authority had approximately \$46 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, 2012 were as follows:

Public Programs	Bonds Issued	Bonds Outstanding	Notes Outstanding	Bonds and Notes Outstanding
State University of New York Dormitory Facilities.....	\$ 2,738,656,000	\$ 1,364,250,000	\$ 0	\$ 1,364,250,000
State University of New York Educational and Athletic Facilities.....	16,277,917,999	6,698,289,207	0	6,698,289,207
Upstate Community Colleges of the State University of New York.....	1,644,630,000	664,175,000	0	664,175,000
Senior Colleges of the City University of New York.....	11,174,381,762	3,690,708,213	0	3,690,708,213
Community Colleges of the City University of New York.....	2,595,168,350	547,281,787	0	547,281,787
BOCES and School Districts.....	3,504,056,208	2,641,935,000	0	2,641,935,000
Judicial Facilities.....	2,161,277,717	646,412,717	0	646,412,717
New York State Departments of Health and Education and Other.....	9,070,560,000	6,440,090,000	0	6,440,090,000
Mental Health Services Facilities.....	8,662,585,000	4,070,030,000	0	4,070,030,000
New York State Taxable Pension Bonds.....	773,475,000	0	0	0
Municipal Health Facilities Improvement Program.....	1,146,845,000	717,200,000	0	717,200,000
Totals Public Programs.....	<u>\$ 59,749,553,036</u>	<u>\$ 27,480,371,924</u>	<u>\$ 0</u>	<u>\$ 27,480,371,924</u>

Non-Public Programs	Bonds Issued	Bonds Outstanding	Notes Outstanding	Bonds and Notes Outstanding
Independent Colleges, Universities and Other Institutions.....	\$ 21,217,289,952	\$ 10,920,998,311	\$ 70,895,000	\$ 10,991,893,311
Voluntary Non-Profit Hospitals.....	15,470,189,309	6,987,840,000	0	6,987,840,000
Facilities for the Aged.....	2,030,560,000	547,405,000	0	547,405,000
Supplemental Higher Education Loan Financing Program.....	95,000,000	0	0	0
Totals Non-Public Programs.....	<u>\$ 38,813,039,261</u>	<u>\$ 18,456,243,311</u>	<u>\$ 70,895,000</u>	<u>\$ 18,527,138,311</u>
Grand Totals Bonds and Notes.....	<u>\$ 98,562,592,297</u>	<u>\$ 45,936,615,235</u>	<u>\$ 70,895,000</u>	<u>\$ 46,007,510,235</u>

Outstanding Indebtedness of the Agency Assumed by the Authority

At June 30, 2012, the Agency had approximately \$183 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, 2012 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	\$ 2,035,000
Insured Mortgage Programs.....	6,625,079,927	178,175,000
Revenue Bonds, Secured Loan and Other Programs.....	2,414,240,000	2,790,000
Total Non-Public Programs.....	<u>\$ 9,265,549,927</u>	<u>\$ 183,000,000</u>
Total MCFFA Outstanding Debt.....	<u>\$ 13,082,780,652</u>	<u>\$ 183,000,000</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.

TIM C. LOFTIS, Esq., Buffalo.

Tim Loftis was appointed as a Member of the Authority by the Governor on June 20, 2012. Mr. Loftis is a partner in the Business and Corporate practice group of the law firm Jaekle Fleischmann & Mugal, LLP. He has experience in business and corporate matters with an emphasis on transactional matters, including domestic and international mergers and acquisitions as well as complex commercial financing transactions. Mr. Loftis is Chair of the Board of Directors of the Buffalo Niagara Partnership. He is admitted to practice law in the State of New York and the U.S. District Court for the Western District of New York. Mr. Loftis holds a Bachelors of Arts degree from the State University of New York at Buffalo and a Juris Doctor degree from Georgetown University Law Center. His term expires on March 31, 2015.

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. Romski 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. Romski 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.

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 twenty 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.

The position of General Counsel is currently vacant.

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 2012 Bonds.

Legislation

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

Environmental Quality Review

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

Independent Auditors

The accounting firm of KPMG LLP audited the financial statements of the Authority for the fiscal year ended March 31, 2012. Copies of the most recent audited financial statements are available upon request at the offices of the Authority.

PART 10- LEGALITY OF THE SERIES 2012 BONDS FOR INVESTMENT AND DEPOSIT

Under New York State law, the Series 2012 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 2012 Bonds may be deposited with the State Comptroller to secure deposits of State moneys in banks, trust companies and industrial banks.

PART 11- NEGOTIABLE INSTRUMENTS

The Series 2012 Bonds shall be negotiable instruments as provided in the Act, subject to the provisions for registration and transfer contained in the Resolutions and in the Series 2012 Bonds.

PART 12- TAX MATTERS

Federal Income Tax

In the opinion of Harris Beach PLLC, Bond Counsel to the Authority, and subject to the limitations set forth below, under existing statutes, regulations, administrative rulings and court decisions as of the date of such opinion, interest on the Series 2012 Bonds is excluded from gross income for federal income tax purposes, pursuant to Section 103 of the Code. Furthermore, Bond Counsel is of the opinion that interest on the Series 2012 Bonds is not an “item of tax preference” for purposes of computing the federal alternative minimum tax imposed on individuals and corporations. However, interest on the Series 2012 Bonds is included in “adjusted current earnings” for purposes of calculating the federal alternative minimum tax imposed on certain corporations. Corporate purchasers of the Series 2012 Bonds should consult with their tax advisors regarding the computation of any alternative minimum tax liability.

The Series 2012 Bonds maturing July 1, 2023 through July 1, 2027, inclusive, July 1, 2029 and July 1, 2042 (collectively, the “Premium Bonds”) are being offered at prices in excess of their principal amounts. An initial purchaser with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser’s yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser’s yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser’s adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. As a result of the tax cost reduction requirements of the Code relating to amortization of bond premium, under certain circumstances, an initial owner of Premium Bonds may realize a taxable gain upon disposition of such Premium Bonds even though they are sold or redeemed for an amount equal to such owner’s original cost of acquiring such Premium Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the tax consequences of owning such Premium Bonds.

The difference between the principal amount of the Series 2012 Bonds maturing July 1, 2018, July 1, 2019, July 1, 2021 and July 1, 2022 (collectively the “Discount Bonds”), and the initial offering price to the public (excluding bond houses, brokers and other intermediaries, or similar persons acting in the same capacity of underwriters or wholesalers), at which price a substantial amount of such Discount Bonds of the same maturity is first sold, constitutes original issue discount, which is not included in gross income for federal income tax purposes to the same extent as interest on the Discount Bonds. The Code provides that the amount of original issue discount accrues in accordance with a constant interest method based on the compounding of interest, and that the basis of a Discount Bond acquired at such initial offering price by an initial purchaser of such an owner’s adjusted basis for purposes of determining an owner’s gain or loss on the disposition of a Discount Bond will be increased by the amount of such accrued original issue discount. A portion of the original issue discount that accrues in each year to an owner of a Discount Bond that is a corporation will be included in the calculation of such corporation’s federal alternative minimum tax liability. Consequently, a corporate owner of any Discount Bond should be aware that the accrual of original issue discount in each year may result in a federal alternative minimum tax liability, even though the owner of such Discount Bond has not received cash attributable to such original issue discount in such year.

The Code establishes certain requirements which must be met at the time of, and subsequent to, the issuance and delivery of the Series 2012 Bonds in order that interest on the Series 2012 Bonds be and remain excluded from gross income for federal income tax purposes, pursuant to Section 103 of the Code. Included among these continuing requirements are certain restrictions and prohibitions on the use of the proceeds of the Series 2012 Bonds, restrictions on the investment of bond proceeds and other moneys or properties, required ownership of the facilities financed by the Series 2012 Bonds by an organization described in Section 501(c)(3) of the Code or a governmental unit, and the rebate to the United States of certain earnings in respect of investments. Noncompliance with such continuing requirements may cause the interest on the Series 2012 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2012 Bonds, irrespective of the date on which such noncompliance occurs. In the Resolutions, the Loan Agreement and accompanying documents, exhibits and certificates, the Authority and the Institution have made certain representations and certifications, and have covenanted to comply with certain procedures, designed to assure compliance with the requirements of the Code. The opinion of Bond Counsel described above is made in reliance upon, and assumes continuing compliance with, such covenants and procedures and the continuing accuracy, in all material respects, of such representations and certifications.

Bond Counsel expresses no opinion regarding any other federal tax consequences related to the ownership or disposition of, or the receipt or accrual of interest on, the Series 2012 Bonds. The proposed form of approving opinion of Bond Counsel is attached to this Official Statement as Appendix E.

In addition to the matters referred to in the preceding paragraphs, prospective purchasers of the Series 2012 Bonds should be aware that the accrual or receipt of tax-exempt interest on the Series 2012 Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences may depend upon the recipient's particular tax status or other items of income or deduction. Bond Counsel expresses no opinion regarding any such consequences. Examples of such other federal income tax consequences of acquiring or holding the Series 2012 Bonds include, without limitation, that (i) with respect to certain insurance companies, the Code reduces the deduction for loss reserves by a portion of the sum of certain items, including interest on the Series 2012 Bonds, (ii) interest on the Series 2012 Bonds earned by certain foreign corporations doing business in the United States may be subject to a branch profits tax imposed by the Code, (iii) passive investment income, including interest on the Series 2012 Bonds, may be subject to federal income taxation under the Code for certain S corporations that have certain earnings and profits, and (iv) the Code requires recipients of certain Social Security and certain other federal retirement benefits to take into account, in determining gross income, receipts or accruals of interest on the Series 2012 Bonds. In addition, the Code denies the interest deduction for indebtedness incurred or continued by a taxpayer, including without limitation, banks, thrift institutions, and certain other financial institutions to purchase or carry tax-exempt obligations, such as the Series 2012 Bonds. The foregoing is not intended as an exhaustive list of potential tax consequences. Prospective purchasers should consult their tax advisors regarding any possible collateral consequences with respect to the Series 2012 Bonds.

Certain requirements and procedures contained or referred to in the Resolutions and other relevant documents may be changed, and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice of, or with the approving opinion of, a nationally recognized bond counsel. Bond Counsel expresses no opinion as to any tax consequences with respect to the Series 2012 Bonds, or the interest thereon, if any such change occurs or actions are taken upon the advice or approval of bond counsel other than Harris Beach PLLC.

State and Local Income Tax

Bond Counsel is also of the opinion that, under existing statutes, including the Act, interest on the Series 2012 Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof.

Any noncompliance with the federal income tax requirements set forth above would not affect the exemption of interest on the Series 2012 Bonds from personal income taxes imposed by New York State or any political subdivision thereof.

Bond Counsel expresses no opinion regarding any other state or local tax consequences related to the ownership or disposition of, or the receipt or accrual of interest on, the Series 2012 Bonds.

Interest on the Series 2012 Bonds may or may not be subject to state or local income taxes in jurisdictions other than the State of New York under applicable state or local tax laws. Bond Counsel expresses no opinion as to the tax treatment of the Series 2012 Bonds under other state or local jurisdictions. Each purchaser of Series 2012 Bonds should consult his or her own tax advisor regarding the taxable status of the Series 2012 Bonds in a particular state or local jurisdiction other than the State of New York.

Other Considerations

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series 2012 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2012 Bonds.

No assurance can be given that any future legislation or governmental actions, including amendments to the Code or State income tax laws, regulations, administrative rulings, or court decisions, will not, directly or indirectly, cause interest on the Series 2012 Bonds to be subject to federal, State or local income taxation, or otherwise prevent Bondholders from realizing the full current benefit of the tax status of such interest. Further, no assurance can be given that the introduction or enactment of any such future legislation, or any judicial decision or action of the Internal Revenue Service or any State taxing authority, including, but not limited to, the promulgation of a regulation or ruling, or the selection of the Series 2012 Bonds for audit examination or the course or result of an audit examination of the Series 2012 Bonds or of obligations which present similar tax issues, will not affect the market price or marketability of the Series 2012 Bonds. Prospective purchasers of the Series 2012 Bonds should consult their own tax advisors regarding the foregoing matters.

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

ALL PROSPECTIVE PURCHASERS OF THE SERIES 2012 BONDS SHOULD CONSULT WITH THEIR TAX ADVISORS IN ORDER TO UNDERSTAND THE IMPLICATIONS OF THE CODE AS TO THESE AND OTHER FEDERAL AND STATE TAX CONSEQUENCES, AS WELL AS ANY LOCAL TAX CONSEQUENCES, OF PURCHASING OR HOLDING THE SERIES 2012 BONDS.

PART 13- STATE NOT LIABLE ON THE SERIES 2012 BONDS

The Act provides that notes and bonds of the Authority shall not be a debt of the State nor shall the State be liable thereon, nor shall such notes or bonds be payable out of any funds other than those of the Authority. The Resolutions specifically provide that the Series 2012 Bonds shall not be a debt of the State nor shall the State be liable thereon.

PART 14- COVENANT BY THE STATE

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

PART 15- LEGAL MATTERS

Certain legal matters incidental to the authorization and issuance of the Series 2012 Bonds by the Authority are subject to the approval of Harris Beach PLLC, New York, New York, Bond Counsel, whose approving opinion will be delivered with the Series 2012 Bonds. The proposed form of Bond Counsel's opinion is set forth in Appendix E hereto.

Certain legal matters will be passed upon for the Institution by its counsel, Cadwalader, Wickersham & Taft LLP, New York, New York and for the Underwriter by its co-counsel, Trespasz & Marquardt, LLP, Syracuse, New York and Marous & Marous, P.C., New York, New York.

There is not now pending any litigation restraining or enjoining the issuance or delivery of the Series 2012 Bonds or questioning or affecting the validity of the Series 2012 Bonds or the proceedings and authority under which they are to be issued.

PART 16- RATINGS

The Series 2012 Bonds are rated “A-” by Fitch Ratings. An explanation of the significance of such rating should be obtained from the rating agency furnishing the same. 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 such rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Series 2012 Bonds.

PART 17- UNDERWRITING

The Underwriter has agreed, subject to certain conditions, to purchase the Series 2012 Bonds from the Authority at an aggregate purchase price of \$46,764,850.80, representing principal of the Series 2012 Bonds of \$45,115,000.00, plus net original issue premium of \$2,087,488.30, less underwriter’s discount of \$437,637.50, and to make a public offering of the Series 2012 Bonds at prices that are not in excess of the public offering prices stated on the inside cover page of this Official Statement plus accrued interest. The Underwriter will be obligated to purchase all such Series 2012 Bonds if any are purchased.

The Series 2012 Bonds may be offered and sold to certain dealers (including the Underwriter) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriter.

PART 18- VERIFICATION OF MATHEMATICAL COMPUTATIONS

The Arbitrage Group, Inc., a firm of independent public accountants, will deliver its report indicating that it has verified the mathematical accuracy of the computations in the schedules provided by the Underwriter. Included in the scope of its verification report will be a verification of the mathematical accuracy of (a) the computations of the adequacy of the cash, the maturing principal amounts and the interest on the Defeasance Securities deposited with the trustee for the refunding of the Refunded Bonds and paying of the interest and redemption price coming due on the Refunded Bonds on or prior to their respective redemption dates as described in “PART 6 - THE REFUNDING PLAN” and (b) the computations supporting the conclusion of the defeasance counsel that the Series 2012 Bonds are not “arbitrage bonds” under the Code and the regulations promulgated thereunder.

PART 19- CONTINUING DISCLOSURE

In order to assist the Underwriter in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as amended (“Rule 15c2-12”), the Institution has undertaken in a written agreement (the “Continuing Disclosure Agreement”) for the benefit of the Bondholders to provide to Digital Assurance Certification LLC (“DAC”), on behalf of the Authority as the Authority’s disclosure dissemination agent, on or before 165 days after the end of each fiscal year, commencing with the fiscal year of the Institution ending December 31, 2012, for filing by DAC with the Municipal Securities Rulemaking Board (“MSRB”) and its Electronic Municipal Market Access System for municipal disclosures on an annual basis, operating data and financial information of the type hereinafter described (the “Annual Information”), together with the Institution’s annual financial statements prepared in accordance with generally accepted accounting principles and audited by an independent firm of certified public accountants in accordance with generally accepted accounting standards; provided however that if audited financial statements are not then available, unaudited financial statements shall be delivered to DAC for delivery to the MSRB when they become available.

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

The Institution also will undertake in the Continuing Disclosure Agreement to provide to the Authority, the Trustee and DAC, in a timely manner not in excess of ten (10) business days after occurrence, the notices required to be provided by Rule 15c2-12 and described below (the "Notices"). In addition, the Authority has undertaken, for the benefit of the Bondholders, to provide such Notices to DAC, should the Authority have actual knowledge of the occurrence of a Notice Event (as hereinafter defined). Upon receipt of Notices from the Institution, the Trustee or the Authority, DAC will file the Notices the MSRB in a timely manner. With respect to the Series 2012 Bonds, DAC has only the duties specifically set forth in the Continuing Disclosure Agreement. DAC's obligation to deliver the information at the times and with the contents described in the Continuing Disclosure Agreement is limited to the extent the Institution has provided such information to DAC as required by the Continuing Disclosure Agreement. DAC has no duty with respect to the content of any disclosure or Notices made pursuant to the terms of the Continuing Disclosure Agreement and DAC has no duty or obligation to review or verify any information contained in the Annual Information, Audited Financial Statements, Notices or any other information, disclosures or notices provided to it by the Institution, the Trustee or the Authority and shall not be deemed to be acting in any fiduciary capacity for the Authority, the Institution, the Holders of the Series 2012 Bonds or any other party. DAC has no responsibility for the failure of the Authority to provide to DAC a Notice required by the Continuing Disclosure Agreement or duty to determine the materiality thereof. DAC shall have no duty to determine or liability for failing to determine whether the Institution, the Trustee or the Authority has complied with the Continuing Disclosure Agreement and DAC may conclusively rely upon certifications of the Institution and the Authority with respect to their respective obligations under the Continuing Disclosure Agreement. In the event the obligations of DAC as the Authority's disclosure dissemination agent terminate, the Authority will either appoint a successor disclosure dissemination agent or, alternatively, assume all responsibilities of the disclosure dissemination agent for the benefit of the Bondholders.

The Annual Information will consist of: (1) operating data and financial information of the type included in the Official Statement unless such information is included in the audited financial statements of the Institution; together with (2) a narrative explanation, if necessary to avoid misunderstanding regarding the presentation of financial and operating data concerning the Institution and in judging the financial and operating condition of the Institution. Specifically, the Annual Information will include operating data and financial information of the type included above in Part 7 under the captions "The Community," "Governance" (including any changes to the Institution's corporate structure), "Professional Staff, Other Employees and Employee Relations," "Licenses, Accreditation and Memberships," "Unit Mix, Occupancy and Payer Mix," "Skilled Nursing – Private Pay and Government Reimbursement Programs," "Service Fees for Entrance Fee Independent Living Units," "Service Fees for Rental Independent Living & Assisted Living Units," "Market Area and Competition," "Summary of Revenues and Expenses," "Management's Discussion of Operations," "Investments," "Charity Care and Fund Raising," "Outstanding Indebtedness," "Litigation," and "Future Plans."

The Notices include notices of any of the following events (the "Notice Events") with respect to the Series 2012 Bonds: (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 Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Series 2012 Bonds; (7) modifications to the rights of holders of the Series 2012 Bonds, if material; (8) bond calls, if material; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Series 2012 Bonds, if material; (11) rating changes; (12) tender offers; (13) bankruptcy, insolvency, receivership or similar event of the Institution; (14) the consummation of a merger, consolidation, or acquisition involving the Institution or the sale of all or substantially all of the assets of the Institution, 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; (15) appointment of a successor or additional trustee, or the change in name of a trustee, if material; and (16) failure to provide annual

information as required. In addition, DAC will undertake, for the benefit of the Holders of the Series 2012 Bonds, to provide to the MSRB, in a timely manner, notice of any failure by the Institution to provide the Annual Information and annual financial statements by the date required in the Institution's undertaking described above.

The sole and exclusive remedy for breach or default under the Continuing Disclosure Agreement described above is an action to compel specific performance of the undertaking of DAC, the Institution, the Trustee and/or the Authority, and no person, including any Holder of the Series 2012 Bonds, may recover monetary damages thereunder under any circumstances. The Authority or the Institution may be compelled to comply with their respective obligations under the Continuing Disclosure Agreement (i) in the case of enforcement of their obligations to provide information required thereunder, by any Holder of Outstanding Series 2012 Bonds or by the Trustee on behalf of the Holders of Outstanding Series 2012 Bonds, or (ii) in the case of challenges to the adequacy of the information provided, by the Trustee on behalf of the Holders of the Series 2012 Bonds; provided, however, that the Trustee is not required to take any enforcement action except at the direction of the Holders of not less than 25% in aggregate principal amount of Series 2012 Bonds at the time Outstanding. A breach or default under the Continuing Disclosure Agreement shall not constitute an Event of Default under the Resolution, the Series 2012 Resolutions or the Loan Agreement. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the Continuing Disclosure Agreement, insofar as the provision of Rule 15c2-12 no longer in effect required the providing of such information, shall no longer be required to be provided.

The foregoing undertaking is intended to set forth a general description of the type of financial information and operating data that will be provided; the description is not intended to state more than general categories of financial information and operating data; and where an undertaking calls for information that no longer can be generated or is no longer relevant because the operations to which it related have been materially changed or discontinued, a statement to that effect will be provided. The Continuing Disclosure Agreement, however, may be amended or modified without consent of the Holders of the Series 2012 Bonds under certain circumstances set forth therein. Copies of the Continuing Disclosure Agreement when executed by the parties thereto upon the delivery of the Series 2012 Bonds will be on file at the principal office of the Authority.

In the past five years, the Institution has not failed to comply, in any material respects, with any previous continuing disclosure undertaking entered into in connection with any offerings.

PART 20- MISCELLANEOUS

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

The agreements of the Authority with Owners of the Series 2012 Bonds are fully set forth in the Resolutions. Neither any advertisement of the Series 2012 Bonds nor this Official Statement is to be construed as a contract with purchasers of the Series 2012 Bonds.

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

The information regarding the Institution and the Project was supplied by the Institution. The Authority believes that this information is reliable, but the Authority and the Underwriter make no representations or warranties whatsoever as to the accuracy or completeness of this information.

The 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 to the accuracy or completeness of this information.

"Appendix A - Definitions," "Appendix C - Summary of Certain Provisions of the Loan Agreement," "Appendix D - Summary of Certain Provisions of the Resolution" and "Appendix E - Form of Approving Opinion of Bond Counsel" have been prepared by Harris Beach PLLC, New York, New York, Bond Counsel.

The financial statements of the Institution for the years ended December 31, 2011 and December 31, 2010 included in Appendix B have been audited by Loeb & Troper LLP, independent auditors, as indicated in their report therein.

The Institution has reviewed the parts of this Official Statement describing the Institution, Sterling, the Series 2012 Project, the Mortgage, the Pledge Agreement, the Refunding Plan, the Estimated Sources and Uses of Funds, Principal and Interest Requirements, Risk Factors and “Appendix B - Audited Financial Statements of Miriam Osborn Memorial Home Association for the Years Ended December 31, 2011 and 2010.” The Institution, as a condition to the issuance of the Series 2012 Bonds, is required to certify as of the dates of sale and delivery of the Series 2012 Bonds that such parts do not contain any untrue statements of a material fact and do not omit any material fact necessary in order to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading.

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

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

DORMITORY AUTHORITY OF
THE STATE OF NEW YORK

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

DEFINITIONS

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CERTAIN DEFINITIONS

In addition to the other terms defined in the Official Statement, when used in the summaries of certain provisions of the Resolution, the Series 2012 Resolution and the Loan Agreement, the following terms have the meanings ascribed to them below.

Accreted Value means with respect to any Capital Appreciation Bond (i) as of any Valuation Date, the amount set forth for such date in the Series Resolution authorizing such Capital Appreciation Bond or the Bond Series Certificate relating thereto and (ii) as of any date other than a Valuation Date, the sum of (a) the Accreted Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date, calculated based on the assumption that Accreted Value accrues during any semiannual period in equal daily amounts on the basis of a year of twelve (12) thirty-day months, and (2) the difference between the Accreted Values for such Valuation Dates.

Act means the Dormitory Authority Act being Title 4 of Article 8 of the Public Authorities Law of the State, as amended, including without limitation by the Health Care Financing Consolidation Act, being Title 4-B of Article 8 of the Public Authorities Law of the State.

Annual Administrative Fee means the fee payable during each Bond Year for the general administrative and supervisory expenses of the Authority in connection with a Series of Bonds in an amount more particularly described in the related Loan Agreement.

Appreciated Value means with respect to any Deferred Income Bond (i) as of any Valuation Date, the amount set forth for such date in the Series Resolution authorizing such Deferred Income Bond or the Bond Series Certificate relating to such Bond and (ii) as of any date other than a Valuation Date, the sum of (a) the Appreciated Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date, calculated based on the assumption that Appreciated Value accrues during any semiannual period in equal daily amounts on the basis of a year of twelve (12) thirty-day months, and (2) the difference between the Appreciated Values for such Valuation Dates, and (iii) as of any date of computation on and after the Interest Commencement Date, the Appreciated Value on the Interest Commencement Date.

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 the fee payable to the Authority in connection with the issuance of a Series of Bonds and the financing and construction of the applicable Project, in an amount and payable as set forth in the related Loan Agreement.

Authorized Newspaper means *The Bond Buyer* or any 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 Treasurer, any Assistant Treasurer, the Secretary, any Assistant Secretary, the Executive Director and/or President, the Deputy Executive Director and/or Vice President, the Chief Financial Officer, the Managing Director of Public Finance and Portfolio Monitoring, the Managing Director of Construction, [the Managing Director, Construction and Metro New York Operations,] and the General Counsel, and when used with reference to any act or document also means any other person authorized by a resolution or the by-laws of the Authority to perform such act or execute such document; (ii) in the case of the Institution, when used with reference to any act or document, means the person or persons authorized by a resolution or the by-laws of the Institution to perform such act or execute such document;

and (iii) in the case of the Trustee, the President, a Vice President, an Assistant Vice President, a Corporate Trust Officer, an Authorized Signatory, an Assistant 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 the Trustee or the by-laws of the Trustee

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

Bond Counsel means an attorney or other law firm appointed by the Authority with respect to a 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 as it may be amended from time to time.

Bond Year means, unless otherwise stated in the applicable Series Resolution or related 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.

Bondowner, Owner 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 Bonds of such Series.

Book Entry Bond means any Bond authorized to be issued, and issued to and registered in the name of, a Depository, the ownership of which is reflected on the books of such Depository or on the books of a person maintaining an account with such Depository (directly or an indirect participant in accordance with the rules of such Depository).

Business Day means, unless otherwise defined in connection with Bonds of a particular Series, any day which is not a Saturday, Sunday or a day on which the Trustee or banking institutions chartered by the State or the United States of America are legally authorized to close in The City of New York.

Capital Appreciation Bond means any Bond as to which interest is compounded on each Valuation Date for such Bond and is payable only at the maturity or prior redemption thereof.

Code means the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder.

Construction Fund means the fund so designated and established by a Series Resolution pursuant to the Resolution.

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

Cost or Costs of Issuance means the items of expense incurred in connection with the authorization, sale and issuance of Bonds of a Series, which items of expenses 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, a Provider or a Depository, legal fees and charges, professional consultants' fees, fees and charges for execution, transportation and safekeeping of such Bonds, premiums, fees and charges for insurance on such Bonds, commitment fees or similar charges relating to a Reserve Fund Facility, Credit Facility, a Liquidity Facility or an Interest Rate Exchange Agreement, costs and expenses in connection with the refunding of Bonds or other bonds or notes of the Authority, costs and expenses incurred pursuant to a Remarketing Agreement and other costs, charges and fees, including those of the Authority, in connection with the foregoing.

Cost or Costs of the Project means when used in relation to a Project the costs and expenses or the refinancing of costs and expenses determined by the Authority to be necessarily or appropriately incurred in connection with such Project, 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 leasehold interests, 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, 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, environmental inspections and assessments, 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 Institution shall be required to pay or cause to be paid for the acquisition, construction, reconstruction, rehabilitation, renovation, repair, improvement and equipping of such Project, (vii) any sums required to reimburse the Institution or the Authority for advances made by them for any of the above items or for other costs incurred and for work done by them in connection with such Project (including interest on money borrowed from parties other than the Institution), (viii) interest on the Bonds of a Series, bonds, notes or other obligations of the Authority issued to finance Costs of the Project that accrued 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 or to the Loan Agreement, a Mortgage, a Credit Facility, a Liquidity Facility or a Remarketing Agreement in connection with Option Bonds or Variable Interest Rate Bonds.

Credit Facility means, with respect to a Series of Bonds, an irrevocable letter of credit, municipal bond insurance policy, surety bond, loan agreement, or other agreement, facility or insurance or guaranty arrangement pursuant to which the Authority is entitled to obtain money to pay the principal and Sinking Fund Installments of and interest on particular Bonds whether or not the Authority is in default under the Resolution, which is issued or provided by:

- (i) a bank, a trust company, a national banking association, an organization 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 or a saving and loan association;
- (ii) an insurance company or association chartered or organized under the laws of any state of the United States of America
- (iii) the Government National Mortgage Association or any successor thereto;
- (iv) the Federal National Mortgage Association or any successor thereto; or
- (v) any other federal agency or instrumentality approved by the Authority.

Any such Credit Facility may also constitute a Liquidity Facility if it also meets the requirements of the definition of a Liquidity Facility contained in the Resolution.

Debt Service Fund means the fund so designated and established by a Series Resolution pursuant to the Resolution.

Debt Service Reserve Fund means the 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 a Series Resolution or the related Bond Series Certificate pursuant to the Resolution.

Debt Service Reserve Fund Requirement means the amount of moneys required to be on deposit in the Debt Service Reserve Fund, if any, as determined in accordance with the Series Resolution pursuant to which such Debt Service Reserve Fund has been established or the related Bond Series Certificate.

Defeasance Security means:

- (i) a Government Obligation of the type described in clauses (i), (ii), (iii) or (iv) of the definition of Government Obligation;
- (ii) a Federal Agency Obligation described in clauses (i) or (ii) of the definition of Federal Agency Obligation;
- (iii) an Exempt Obligation, provided such Exempt Obligation (i) is not subject to redemption prior to maturity other than at the option of the holder thereof or as to which irrevocable instructions have been given to the trustee of such Exempt Obligation by the obligor thereof to give due notice of redemption and to call such Exempt Obligation for redemption on the date or dates specified in such instructions and such Exempt Obligation is not otherwise subject to redemption prior to such specified date other than at the option of the holder thereof, (ii) is secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or Government Obligations, which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such Exempt Obligation on the maturity date thereof or the redemption date specified in the irrevocable instructions referred to in clause (i) above, (iii) as to which the principal of and interest on the direct obligations of the United States of America which have been deposited in such fund, along with any cash on deposit in such fund, are sufficient to pay the principal of and interest and redemption premium, if any, on such Exempt Obligation on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in clause (i) above, and (iv) is rated by at least two nationally recognized statistical rating organizations in the highest rating category for such Exempt Obligation (without regard to qualification of such rating by symbols such as “+” or “-” and numerical notation);

provided, however, that such term shall not include (1) 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.

Deferred Income Bond means any Bond as to which interest accruing thereon prior to the Interest Commencement Date of such Bond is compounded on each Valuation Date for such Deferred Income Bond, and as to which interest accruing after the Interest Commencement Date is payable semiannually on July 1 and January 1 of each Bond Year.

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

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, without regard to qualification of such rating by symbols such as “+” or “-” and numerical notation, no lower than the second highest rating category for such obligation by at least two nationally recognized statistical rating organizations;
- (ii) any other Permitted Investments acceptable to the Rating Service(s).
- (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.

Federal Agency Obligation means:

- (i) an obligation issued by any federal agency or instrumentality approved by the Authority;
- (ii) an obligation the principal of and interest on which are fully insured or guaranteed as to payment by a federal agency approved by the Authority;
- (iii) a certificate or other instrument which evidences the beneficial ownership of, or the right to receive all or a portion of the payment of the principal of or interest on, any of the foregoing; and
- (iv) a share or interest in a mutual fund, partnership or other fund 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.

Fiscal Year means a twelve (12) month period beginning on July 1 of a calendar year and ending on the June 30 of the next succeeding calendar year, or such other twelve (12) month period as the Institution may elect as its fiscal year.

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) an obligation to which the full faith and credit of the United States of America are pledged;
- (iv) a certificate or other instrument which evidences the beneficial ownership of, or the right to receive all or a portion of the payment of the principal of or interest on, any of the foregoing; and
- (v) a share or interest in a mutual fund, partnership or other fund 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.

Governmental Requirements means any present and future laws, rules, orders, ordinances, regulations, statutes, requirements and executive orders applicable to a Project or any Mortgaged 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 a Project or any Mortgaged Property or any part of either.

Gross Receipts means all revenues received by the Institution from the operations of the Institution, all the proceeds, product, offspring, entrance fees, rents and profits of the Institution and all other accounts receivable and other income available to the Institution from any other source, all proceeds of insurance available to the Institution pursuant to the applicable the Loan Agreement and all present and future accounts, contracts and agreements (including, particularly, the contracts and agreements between the Institution and any third party payor, proceeds from the sale of general intangibles, documents, instruments and inventory and all proceeds from any thereof owned, leased or used by the Institution in the conduct of all or any part of its business operated in all the Institution's facilities, all investment income, gifts, bequests, contributions, grants, and donations and all supporting evidence and documents relating to any of the above described property, including without limitation, payment records, correspondence, together with all books of account, ledgers and cabinets in which the same are reflected or maintained, all whether now existing or hereafter arising, excluding only grants, gifts, bequests, contributions and other donations and any income derived therefrom to the extent specifically restricted by the donor or grantor to a special object or purpose inconsistent with the payments under the applicable Loan Agreement or, if any, the applicable Mortgage.

Gross Receipts Pledge and Security Agreement means the agreement between the Authority and Sterling Home Care, Inc., a membership organization whose sole member is the Institution and whose activity is included in the Institution's consolidated financial statements, dated the date of delivery of the Series 2012 Bonds, pursuant to which Sterling Home Care, Inc. has granted a security interest in its gross receipts to additionally secure the Institution's payment obligations under the Loan Agreement.

Institution means Miriam Osborn Memorial Home Association, a not-for-profit corporation organized and existing under the laws of the State providing "facilities for the aged" as defined in the Act, or any successor thereto as permitted by the Loan Agreement.

Insurance Consultant means a person or firm who is not an employee or officer of the Institution or any affiliate of the Institution who is appointed by the Institution, is qualified to survey risks and to recommend insurance coverage for the Institution's facilities and services and organizations engaged in like operations, has actuarial personnel experienced in the area of insurance for which the Institution is insuring and who has a favorable reputation for skill and experience in such surveys and such recommendations.

Interest Commencement Date means, with respect to any particular Deferred Income Bond, the date prior to the maturity date thereof specified in the Series Resolution authorizing such Bond or the related Bond Series Certificate, after which interest accruing on such Bond shall be payable on the interest payment date immediately succeeding such Interest Commencement Date and semiannually thereafter on July 1 and January 1 of each Bond Year.

Interest Rate Exchange Agreement means (i) an agreement entered into by the Authority or the Institution in connection with the issuance of or which relates to Bonds of a Series which provides that during the term of such agreement the Authority or the Institution is to pay to the counterparty thereto interest accruing at a fixed or variable rate per annum on an amount equal to a principal amount of such Bonds and that such counterparty is to pay to the Authority or the Institution an amount based on the interest accruing on a principal amount equal to the same principal amount of such Bonds at a fixed or variable rate per annum, in each case computed according to a formula set forth in such agreement, or that one shall pay to the other any net amount due under such agreement or (ii) interest rate cap agreements, interest rate floor agreements, interest rate collar agreements and any other interest rate related hedge agreements or arrangements.

Investment Agreement means a repurchase agreement or other agreement for the investment of money with a Qualified Financial Institution.

Letter of Representation means the Letter of Representation of the Institution, dated the date of the sale of the Bonds, addressed to the Authority and the Underwriter.

Liquidity Facility means, with respect to a Series of Bonds, an irrevocable letter of credit, a surety bond, a loan agreement, a Standby Purchase Agreement, a line of credit or other agreement or arrangement pursuant to which money may be obtained upon the terms and conditions contained therein for the purchase of such Bonds tendered for purchase in accordance with the terms of a Series Resolution authorizing such Bonds or the related Bond Series Certificate, which is issued or provided by:

(i) a bank, a trust company, a national banking association, an organization 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 or a savings and loan association;

(ii) an insurance company or association chartered or organized under the laws of any state of the United States of America;

(iii) the Government National Mortgage Association or any successor thereto;

(iv) the Federal National Mortgage Association or any successor thereto; or

- (v) any other federal agency or instrumentality approved by the Authority.

Loan Agreement means the applicable Loan Agreement, between the Authority and the Institution in connection with the issuance of a Series of Bonds, as the same from time to time shall have been amended, supplemented or otherwise modified as permitted by the Resolution and by such Loan Agreement.

Maximum Interest Rate means, with respect to any particular Variable Interest Rate Bond, the numerical rate of interest, if any, set forth in the Series Resolution authorizing such Bond or the Bond Series Certificate relating to such Bond as the maximum rate at which such Bond may bear interest at any time.

Minimum Interest Rate means, with respect to any particular Variable Interest Rate Bond, a numerical rate of interest, if any, set forth in the Series Resolution authorizing such Bond or the Bond Series Certificate relating to such Bonds as the minimum rate at which such Bond may bear interest at any time.

Mortgage means a mortgage, if any, granted by the Institution to the Authority pursuant to an applicable Loan Agreement, in form and substance satisfactory to the Authority and any applicable Provider of a Credit Facility, if any, as security for the performance of the Institution's obligations under such Loan Agreement, as such Mortgage may be amended or modified from time to time as provided for therein or in such Loan Agreement.

Mortgaged Property means the land described in a Mortgage and the buildings and improvements thereon or thereafter erected thereon and the fixtures, furnishings and equipment owned by the Institution and now or hereafter located therein or thereon.

Official Statement means an official statement relating to and in connection with the sale of a Series of Bonds.

Option Bond means any Bond of a Series which by its terms may be or is required to be tendered by and at the option of the Holder thereof for redemption by the Authority prior to the stated maturity thereof or for purchase by the Authority prior to the stated maturity thereof or the maturity of which may be extended by and at the option of the Holder thereof in accordance with the Series Resolution authorizing such Bonds or the related Bond Series Certificate.

Outstanding, when used in reference to Bonds of a Series, means, as of a particular date, all Bonds of such Series authenticated and delivered under the Resolution and under a Series Resolution except:

- (i) any Bond canceled by the Trustee at or before such date;
- (ii) any Bond deemed to have been paid in accordance with the Resolution;
- (iii) any Bond in lieu of or in substitution for which another Bond shall have been authenticated and delivered pursuant to the Resolution; and
- (iv) any Option Bond tendered or deemed tendered in accordance with the provisions of the Series Resolution authorizing such Bond or the related Bond Series Certificate on the applicable adjustment or conversion date, if interest thereon shall have been paid through such applicable date and the purchase price thereof shall have been paid or amounts are available for such payment as provided in the Resolution and in the Series Resolution authorizing such Bond or the related Bond Series Certificate.

Parity Indebtedness means any indebtedness incurred by the Institution or issued by or on behalf of the Institution that is permitted by the applicable Loan Agreement and secured equally and ratably by the security interest in the Gross Receipts and/or the Mortgaged Property.

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 a Series Resolution, a Bond Series Certificate or any other resolution of the Authority adopted prior to authentication and delivery of such Series of Bonds for which such Paying Agent or Paying Agents shall be so appointed.

Permitted Collateral means:

- (i) Government Obligations described in clauses (i), (ii) or (iii) of the definition of Government Obligation;
- (ii) Federal Agency Obligations described in clauses (i) or (ii) of the definition of Federal Agency Obligation; and
- (iii) financial guaranty agreements, surety or other similar bonds or other instruments of an insurance company that has an equity capital of at least \$125,000,000 and is rated in the highest rating category by Bests Insurance Guide (A+XII or higher) or any other nationally recognized statistical rating organization.

Permitted Encumbrances means (i) the applicable Loan Agreement, (ii) the Resolution, (iii) the applicable Mortgage, (iv) any instrument recorded pursuant to Section 21 hereof, (v) any other encumbrances or matters approved in writing by the Authority, and (vi) those matters referred to in any title insurance policy and accepted by the Authority.

Permitted Investments means any of the following:

- (i) Government Obligations;
- (ii) Federal Agency Obligations;
- (iii) Exempt Obligations;
- (iv) uncollateralized certificates of deposit that are fully insured by the Federal Deposit Insurance Corporation and issued by a banking organization authorized to do business in the State;
- (v) collateralized certificates of deposit that are (a) issued by a banking organization authorized to do business in the State that has an equity capital of not less than \$125,000,000, whose unsecured senior debt, or debt obligations fully secured by a letter or credit, contract, agreement or surety bond issued by it, are at the time an investment therein is made or the same is deposited in any fund or account under the Resolution, is rated by at least one nationally recognized statistical rating organization in at least the second highest rating category (without regard to qualification of such rating by symbols such as “+” or “-” and numerical notation), and (b) are fully collateralized by Permitted Collateral;
- (vi) Investment Agreements that are fully collateralized by Permitted Collateral; and
- (vii) to the extent any of the following constitute permitted investments under the “Investment Policy and Guidelines” of the Authority in effect at the time an investment is made:
 - (1) commercial paper that (a) matures within two hundred seventy (270) days after its date of issuance, and (b) is issued by a domestic corporation whose unsecured senior debt is rated in the highest short term rating category by at least two nationally recognized statistical rating organizations (without regard to qualification of such rating by symbols such as “+” or “-” and numerical notation);
 - (2) an uncollateralized, unsecured certificate of deposit, time deposit or bankers’ acceptance that (A) has a maturity of not more than three hundred sixty-five (365) days and (B) is issued by or are of or with a bank the short term obligations of which are, at the time an investment in such certificate of deposit, time deposit or bankers’ acceptance is made or the same is deposited in any fund or account hereunder, rated in the highest short term rating category by at least two nationally recognized statistical rating organizations (without regard to qualification of such rating by symbols such as “+” or “-” and numerical notation); and

(3) shares or an interest in any other 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, whose objective is to maintain a constant share value of one dollar (\$1.00) and that, at the time an investment therein is made or the same is deposited in any fund or account hereunder, are rated in the highest short term rating category by at least one nationally recognized statistical rating organization (without regard to qualification of such rating by symbols such as “+” or “-“ and numerical notation), and at the time such investment is made, such fund had a minimum asset value of \$500 million.

Project means the Project described in an Exhibit to the applicable Loan Agreement.

Provider means the issuer or provider of a Reserve Fund Facility, Credit Facility or a Liquidity Facility.

Provider Payments means the amount, certified by a Provider to the Trustee, payable to such Provider by the Institution on account of amounts advanced by it under a Reserve Fund Facility, Credit Facility or a Liquidity Facility, including interest on amounts advanced and fees and charges with respect thereto.

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

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

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

(iii) a corporation affiliated with or which is a subsidiary of any entity described in (i) or (ii) above or which is affiliated with or a subsidiary of a corporation which controls or wholly owns any such entity, whose senior unsecured long term debt is at the time an investment is entered into is rated by at least one nationally recognized statistical rating organization no lower than in the second highest rating category, or, in the absence of a long term debt rating, whose short term debt is rated by at least one nationally recognized statistical rating organization no lower than in the highest rating category for such short term debt; provided, however, that no short term rating may be utilized to determine whether an entity qualifies under this paragraph as a Qualified Financial

Institution if the same would be inconsistent with the rating criteria of any Rating Service or credit criteria of a Provider of a Credit Facility or financial guaranty agreement in connection with an Outstanding Series of Bonds;

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

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

Rating Service means each of Moody's Investors Service, Inc., Standard & Poor's Rating Services, and Fitch Ratings, or any other nationally recognized statistical rating organization which shall have assigned a rating on any Outstanding Series of Bonds as requested by or on behalf of the Authority, and which rating is then currently in effect.

Record Date means, unless a Series Resolution authorizing Variable Interest Rate Bonds or Option Bonds or a related Bond Series Certificate relating thereto provides otherwise with respect to such Variable Interest Rate Bonds or Option Bonds, the fifteenth (15th) day (whether or not a Business Day) of the calendar month next preceding an interest payment date.

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

Refunding Bonds means Bonds of any applicable Series, the issuance of which is authorized pursuant to the Resolution, that are 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.

Remarketing Agent means the person appointed by or pursuant to a Series Resolution or the related Bond Series Certificate authorizing the issuance of Option Bonds to remarket such Option Bonds tendered or deemed to have been tendered for purchase in accordance with such Series Resolution or such Bond Series Certificate.

Remarketing Agreement means, with respect to Option Bonds of a Series, an agreement either between the Authority and the Remarketing Agent, or among the Authority, the Institution and the Remarketing Agent, relating to the remarketing of such Bonds, as amended, supplemented or otherwise modified.

Reserve Fund Facility means a surety bond, insurance policy, letter of credit or other financial guaranty or instrument, authorized by or pursuant to a Series Resolution or related Bond Series Certificate establishing a Debt Service Reserve Fund, to be delivered in lieu of or substitution for all or a portion of the moneys otherwise required to be held in such Debt Service Reserve Fund.

Resolution means the Miriam Osborn Memorial Home Association Revenue Bond Resolution, adopted by the Authority on May 23, 2012, as the same may be from time to time amended or supplemented by Supplemental Resolutions in accordance with the terms and provisions of the Resolution.

Revenues means, with respect to a Series of Bonds, all payments received or receivable by the Authority that pursuant to the applicable Loan Agreement are required to be paid to the Trustee for such Series of Bonds (except payments to the Trustee for the administrative costs and expenses or fees of the Trustee and payments to the Trustee for deposit to the Arbitrage Rebate Fund, any fund established for the payment of the purchase price of Options Bonds tendered for purchase or redemption or any fund established for the repayment of funds drawn under a Credit Facility or Liquidity Facility) and all amounts received as a consequence of the enforcement of such Loan Agreement, applicable Mortgage, or any other agreement entered into with the Authority securing the Institution's payment obligations under such Loan Agreement, including but not limited to amounts derived from any realization upon the Gross Receipts.

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

Series means all of the Bonds authenticated and delivered on original issuance and pursuant to the Resolution and to the Series Resolution authorizing such Bonds as a separate Series of Bonds or a Bond Series Certificate, 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 Authority authorizing the issuance of a Series of Bonds adopted by the Authority pursuant to the Resolution.

Series 2012 Bonds means the Bonds authorized by the Series 2012 Resolution.

Series 2012 Project means the project or projects in connection with which the Series 2012 Bonds are being issued as more fully described in Exhibit B to the Loan Agreement, dated as of May 23, 2012.

Series 2012 Resolution means the Series 2012 Resolution Authorizing Miriam Osborn Memorial Home Association Revenue Bonds, Series 2012.

Sinking Fund Installment means, with respect to any Bonds of a Series, as of any date of calculation:

(i) when used with respect to any Bonds of such Series other than Option Bonds or Variable Interest Rate Bonds, so long as any such Bonds are Outstanding, the amount of money required by the Series Resolution pursuant to which such Bonds were issued or by the related Bond Series Certificate to be paid on a single future July 1 for the retirement of any Outstanding Bonds of said Series which mature after said future July 1, but does not include any amount payable by the Authority by reason only of the maturity of a Bond, and said future July 1 is deemed to be the date when a Sinking Fund Installment is payable and the date of such Sinking Fund Installment and said Outstanding Bonds are deemed to be Bonds entitled to such Sinking Fund Installment; and

(ii) when used with respect to Option Bonds or Variable Interest Rate Bonds of a Series, so long as such Bonds are Outstanding, the amount of money required by the Series Resolution pursuant to which such Bonds were issued or by the Bond Series Certificate relating thereto to be paid on a single future date for the retirement of any Outstanding Bonds of said Series which mature after said future date, but does not include any amount payable by the Authority by reason only of the maturity of a Bond, and said future date is deemed to be the date when a Sinking Fund Installment is payable and the date of such Sinking Fund Installment and said Outstanding Option Bonds or Variable Interest Rate Bonds of such Series are deemed to be Bonds entitled to such Sinking Fund Installment.

Standby Purchase Agreement means, with respect to a Series of Bonds, an agreement pursuant to which a person is obligated to purchase an Option Bond or a Variable Interest Rate Bond tendered for purchase.

State means the State of New York.

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

Tax Certificate means the certificate of the Authority, including the appendices, schedules and exhibits thereto, executed in connection with the issuance of a Series of Tax-Exempt Bonds in which the Authority makes representations and agreements as to arbitrage and compliance with the provisions of Sections 141 through 150, inclusive, of the Code, or any similar certificate, agreement or other instrument made, executed and delivered in lieu of said certificate, in each case as the same may be amended or supplemented.

Tax-Exempt Bonds means Bonds, the interest on which is exempt from Federal income taxation in accordance with the Code.

Term Bonds means, with respect to a Series of Bonds, the Bonds so designated in a Series Resolution or a Bond Series Certificate and payable from Sinking Fund Installments.

Trustee means the bank or trust company appointed as Trustee for a Series of Bonds pursuant to a Series Resolution or the related Bond Series Certificate and having the duties, responsibilities and rights provided for in the Resolution 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 to the Resolution.

Undertaking means that certain agreement to provide continuing disclosure, by and among the Authority, the Institution and the Trustee with respect to the Series 2012 Bonds.

Underwriter means with respect to the Series 2012 Bonds, Herbert J. Sims & Co., Inc.

Valuation Date means (i) with respect to any Capital Appreciation Bond, each date set forth in the Series Resolution authorizing such Capital Appreciation Bond or in the related Bond Series Certificate on which a specific Accreted Value is assigned to such Capital Appreciation Bond, and (ii) with respect to any Deferred Income Bond, the date or dates prior to the Interest Commencement Date and the Interest Commencement Date set forth in the Series Resolution authorizing such Bond or in the related Bond Series Certificate on which specific Appreciated Values are assigned to such Deferred Income Bond.

Variable Interest Rate means the rate or rates of interest to be borne by a Series of Bonds or any one or more maturities within a Series of Bonds which is or may be varied from time to time in accordance with the method of computing such interest rate or rates specified in the Series Resolution authorizing such Bonds or the related Bond Series Certificate and which shall be based on:

(i) a percentage or percentages or other function of an objectively determinable interest rate or rates (e.g., a prime lending rate) which may be in effect from time to time or at a particular time or times; or

(ii) a stated interest rate that may be changed from time to time as provided in such Series Resolution or Bond Series Certificate;

provided, however, that in each case such variable interest rate may be subject to a Maximum Interest Rate and a Minimum Interest Rate as provided in the Series Resolution authorizing such Bonds or the related Bond Series Certificate, and that such Series Resolution or Bond Series Certificate shall also specify either (x) the particular period or periods of time or manner of determining such period or periods of time for which each variable interest rate shall remain in effect or (y) the time or times at which any change in such variable interest rate shall become effective or the manner of determining such time or times.

Variable Interest Rate Bond means any Bond of a Series which bears a Variable Interest Rate; *provided, however,* that a Bond the interest rate on which shall have been fixed for the remainder of the term thereof shall no longer be a Variable Interest Rate Bond.

**AUDITED FINANCIAL STATEMENTS AND AUDITOR'S REPORT OF
MIRIAM OSBORN MEMORIAL HOME ASSOCIATION FOR THE YEARS ENDED
DECEMBER 31, 2011 AND DECEMBER 31, 2010**

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**MIRIAM OSBORN MEMORIAL
HOME ASSOCIATION**

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

DECEMBER 31, 2011 AND 2010

**MIRIAM OSBORN MEMORIAL
HOME ASSOCIATION**

TABLE OF CONTENTS

Independent Auditor's Report

Exhibit

- A - Consolidated Balance Sheets**
- B - Consolidated Statements of Operations**
- C - Consolidated Statements of Cash Flows**

Notes to Consolidated Financial Statements

Schedule

- 1 - Schedule of Other Revenues**
- 2 - Schedule of Resident Services and Facilities
and Property Expenses**
- 3 - Schedule of Administration, Marketing and
Finance, and Other Expenses**
- 4 - Schedule of Employee Benefits**

Independent Auditor's Report

**The Board of Trustees
Miriam Osborn Memorial
Home Association**

We have audited the accompanying consolidated balance sheets of Miriam Osborn Memorial Home Association as of December 31, 2011 and 2010, and the related consolidated statements of operations and cash flows for the years then ended. These financial statements are the responsibility of Miriam Osborn Memorial Home Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Miriam Osborn Memorial Home Association'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 Miriam Osborn Memorial Home Association as of December 31, 2011 and 2010, and the results of its operations, 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 audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information contained in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Loeb & Troper LLP

April 4, 2012

MIRIAM OSBORN MEMORIAL
HOME ASSOCIATION

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,428,668	\$ 1,600,521
Cash and marketable securities segregated for resident deposits	34,304	32,139
Investments (Note 2)	36,270,770	38,444,049
Accounts receivable (net of allowances of \$65,000 for 2011 and \$204,000 for 2010)	1,754,225	1,499,478
Real estate tax refund receivable (Note 11)		1,494,001
Other receivables	208,293	244,158
Waiting list deposits held in escrow	1,103,972	1,114,988
Prepaid expenses	1,104,348	1,260,245
Cash surrender value of life insurance policies	<u>1,326,919</u>	<u>1,347,477</u>
Total current assets	<u>43,231,499</u>	<u>47,037,056</u>
Long-term assets		
Escrow funds (Note 4)	5,528,141	5,533,958
Fixed assets - net (Note 3)	<u>109,736,619</u>	<u>108,800,828</u>
Total long-term assets	<u>115,264,760</u>	<u>114,334,786</u>
Total assets	<u>\$ 158,496,259</u>	<u>\$ 161,371,842</u>

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**MIRIAM OSBORN MEMORIAL
HOME ASSOCIATION**

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 3,501,279	\$ 2,543,984
Accrued compensation payable (Note 8)	2,505,058	2,328,716
Current portion of mortgages payable (Note 4)	1,135,000	1,060,000
Current portion of accrued pension (Note 5)	1,835,298	4,000,000
Current portion of accrued postretirement benefits other than pension (Note 6)	66,336	81,135
Resident deposits	34,304	32,139
Waiting list deposits	<u>1,103,972</u>	<u>1,114,988</u>
Total current liabilities	10,181,247	11,160,962
Long-term liabilities		
Refundable entrance fees (Note 1)	94,435,243	92,619,105
Mortgages payable (Note 4)	36,810,000	37,945,000
Long-term portion of accrued pension (Note 5)	10,623,790	4,826,172
Long-term portion of accrued postretirement benefits other than pension (Note 6)	<u>861,488</u>	<u>1,038,634</u>
Total liabilities	152,911,768	147,589,873
Unrestricted net assets (Exhibit B)	<u>5,584,491</u>	<u>13,781,969</u>
Total liabilities and net assets	<u>\$ 158,496,259</u>	<u>\$ 161,371,842</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

MIRIAM OSBORN MEMORIAL
HOME ASSOCIATION

CONSOLIDATED STATEMENTS OF OPERATIONS

YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Revenues		
Resident fees (net of bad debt expense of \$42,674 for 2011 and \$54,158 for 2010) (Note 1)	\$ 39,707,764	\$ 38,886,711
Amortization of refundable entrance fees (Note 1)	3,390,457	3,244,764
Interest and dividends (Note 2)	258,496	475,723
Contribution and trust income	403,989	196,829
Other (Schedule 1)	764,909	702,022
	<u>44,525,615</u>	<u>43,506,049</u>
Expenses		
Resident services (Schedule 2)	24,882,111	23,600,748
Facilities and property (Schedule 2)	4,378,489	4,436,113
Administration, marketing and finance (Schedule 3)	4,310,245	4,240,286
Other (Schedule 3)	4,033,552	3,545,309
Depreciation	5,678,993	5,205,264
Interest	2,582,006	2,647,694
	<u>45,865,396</u>	<u>43,675,414</u>
Operating loss	(1,339,781)	(169,365)
Nonoperating		
Realized and unrealized gains (losses) on investments (Note 2)	(1,038,509)	3,669,111
Increase in cash surrender value of life insurance policies	16,101	137,985
	<u>(2,362,189)</u>	<u>3,637,731</u>
Change in net assets before other changes	(2,362,189)	3,637,731
Gain on real estate tax settlement		115,138
Gain on curtailment of pension (Note 5)	2,399,572	
Adjustment to minimum pension and postretirement benefit liability (Notes 5 and 6)	(8,234,861)	(1,528,551)
	<u>(8,197,478)</u>	<u>2,224,318</u>
Change in net assets (Exhibit C)	(8,197,478)	2,224,318
Net assets - beginning of year	<u>13,781,969</u>	<u>11,557,651</u>
Net assets - end of year (Exhibit A)	<u>\$ 5,584,491</u>	<u>\$ 13,781,969</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

MIRIAM OSBORN MEMORIAL
HOME ASSOCIATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Change in net assets (Exhibit B)	\$ (8,197,478)	\$ 2,224,318
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	5,678,993	5,205,264
Amortization of refundable entrance fees	(3,390,457)	(3,244,764)
Realized and unrealized (gains) losses on investments	1,038,509	(3,669,111)
Increase in cash surrender value of life insurance policies	(16,101)	(137,985)
Decrease (increase) in assets		
Accounts receivable	(254,747)	66,078
Real estate tax refund and other receivables	1,529,866	(413,647)
Prepaid expenses	155,897	(251,708)
Increase (decrease) in liabilities		
Accounts payable, accrued expenses and compensation payable	1,133,637	(5,484,173)
Accrued pension and postretirement benefits	3,440,971	1,168,312
Net cash provided (used) by operating activities	<u>1,119,090</u>	<u>(4,537,416)</u>
Cash flows from investing activities		
Investment in life insurance policies		(111,800)
Withdrawals from life insurance policies	36,659	33,803
Proceeds from sales of investments	8,191,964	17,076,091
Purchases of investments	(7,057,194)	(11,727,356)
Cash paid for capital acquisitions	(6,614,784)	(3,654,731)
Decrease of escrow funds	5,817	10,541
Net cash provided (used) by investing activities	<u>(5,437,538)</u>	<u>1,626,548</u>

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**MIRIAM OSBORN MEMORIAL
HOME ASSOCIATION**

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Cash flows from financing activities		
Refundable entrance fee deposits	\$ 5,206,595	\$ 3,799,912
Repayment of mortgage	<u>(1,060,000)</u>	<u>(1,000,000)</u>
Net cash provided by financing activities	<u>4,146,595</u>	<u>2,799,912</u>
Net change in cash and cash equivalents	(171,853)	(110,956)
Cash and cash equivalents - beginning of year	<u>1,600,521</u>	<u>1,711,477</u>
Cash and cash equivalents - end of year	<u>\$ 1,428,668</u>	<u>\$ 1,600,521</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	<u>\$ 2,582,006</u>	<u>\$ 2,647,694</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

MIRIAM OSBORN MEMORIAL
HOME ASSOCIATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES**

Organization - Miriam Osborn Memorial Home Association (the "Association") is a not-for-profit charitable organization incorporated in New York State in 1892. The Association operates a retirement facility in Westchester County, New York, which consists of 188 entrance fee independent living units, 96 assisted living units and/or independent apartments and an 84-bed skilled nursing home. The Association derives its revenues primarily from fees charged to its residents.

Sterling Home Care, Inc. ("Sterling Home Care") was organized as a charitable organization to provide home care services. Sterling Home Care is a membership organization. Sterling Home Care derives its revenues from client fees. In 2006, the Board approved that Sterling Home Care, Inc. do business as Osborn Home Care.

The Association and Sterling Home Care, Inc. are tax-exempt organizations pursuant to Section 501(c)(3) of the Internal Revenue Code and, accordingly, are not subject to income taxes.

Principles of consolidation - The accompanying consolidated financial statements include the Association and Sterling Home Care. Miriam Osborn Memorial Home Association is the sole member of Sterling Home Care, Inc. Intercompany transactions and balances are eliminated upon consolidation.

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

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

Cash and cash equivalents - Cash and cash equivalents include highly liquid investments with original maturities when acquired of three months or less.

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MIRIAM OSBORN MEMORIAL
HOME ASSOCIATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

Investments - Investments are recorded at fair value. The Association 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 investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, based upon the markets' fluctuations, and that such changes could materially affect the Association's balance sheet.

Accounts receivable - Accounts receivable are recorded when services are billed.

Allowance for doubtful accounts - The Association determines whether an allowance for uncollectibles should be provided for accounts receivable. Such estimates are based on management's assessment of the aged basis of its sources, current economic conditions, subsequent receipts and historical information. Accounts receivable are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted.

Waiting list deposits held in escrow - Waiting list deposits held in cash escrow accounts are held on behalf of future residents.

Cash surrender value of life insurance policies - The cash surrender value of life insurance policies represents the liquid value of insurance policies at year end.

Fixed assets - Fixed assets whose useful lives exceed one year and whose cost exceeds \$500 are capitalized. Depreciation of fixed assets is recorded on the straight-line method over the estimated useful lives of the assets.

Resident fees - charity care - The Association charges residents a daily or monthly rate for their care and related services.

Charity care not billed or collected at market rates was \$1,903,961 and \$2,148,375 in 2011 and 2010, respectively. The estimated cost of providing charity care was \$2,098,589 in 2011 and \$2,286,426 in 2010.

Contributions - Contributions, including unconditional promises to give are recorded at fair value at the date the contribution is received. The gifts are recorded as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of operations as net assets released from restrictions.

-continued-

MIRIAM OSBORN MEMORIAL
HOME ASSOCIATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

Rental income - Rental income is generated from rent on an investment in real estate.

Refundable entrance fees - The Association charges a refundable entrance fee to a defined section of the Association's "Sterling Park at The Osborn" units pursuant to a schedule, by apartment. The Osborn is obligated to refund the full amount of the original entrance fee to the extent the unit is vacated and released and a replacement entrance fee is collected. The refundable entrance fees are recorded as deferred revenue and are recognized as income using the straight-line method over the remaining estimated life of the facility.

Operating revenues and expenses - Operating revenues and expenses include all income and expenses except gains and losses on investment transactions and nonoperating gains and losses such as adjustment to minimum pension and postretirement benefits and change in cash surrender of value of life insurance policies.

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

Fair Value Measurements and Disclosures

ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below. Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access. Level 2 inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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MIRIAM OSBORN MEMORIAL
HOME ASSOCIATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

Fair Value Measurements and Disclosures (continued)

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodology used at December 31, 2011 and 2010.

Money market funds - Valued at the net asset value (NAV) reported on the active market on which the individual securities are traded.

Corporate bonds - Valued based on yields currently available on comparable securities of issuers with similar ratings.

Hedge funds and diversified investment partnership - Valued at the NAV of shares held at year end as determined by the investment managers.

Equity funds - Valued either at the NAV of shares held at year end or valued based on comparable securities.

The following criteria have been used to determine fair value by the investment managers:

- (a) Performing comparisons with prices of comparable or similar securities; (b) obtaining valuation-related information from issuers; and/or (b) other analytical data relating to the investment and using other available indications of value.

However, because of the inherent uncertainty of valuation, the estimated fair values for the aforementioned securities and interests may differ from the values that would have been used had a ready market for the investments existed, and the differences could be material.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

-continued-

MIRIAM OSBORN MEMORIAL
HOME ASSOCIATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

Subsequent events - Subsequent events have been evaluated through April 4, 2012, which is the date the report was available for release.

Uncertainty in income taxes - The Association has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Periods ending December 31, 2008 and subsequent remain subject to examination by applicable taxing authorities.

Reclassification - Financial Accounting Standards Board (FASB) issued an Accounting Standards Update ("ASU") that changes the presentation of the provision for bad debts associated with patient service revenue in health care entities. ASU No. 2011-07 will require provisions for bad debt to be treated as a deduction from patient service revenue net of contractual allowances and discounts. The ASU is effective for periods ending after December 15, 2012 with early adoption permitted. The Association has elected to early adopt this new guidance in its December 31, 2011 financial statements and has reclassified provision for bad debts of \$54,158 for the year ended December 31, 2010 from expenses to a reduction of resident revenues. Net assets of the Association were not affected by the adoption of the new guidance.

In addition, certain adjustments were made to the 2010 fair value of investment levels based on current-year information.

NOTE 2 - INVESTMENTS

	2011			Total
	Level 1	Level 2	Level 3	
Money market funds	\$ 10,903,295			\$ 10,903,295
Equity funds - domestic	14,915,510			14,915,510
Equity funds - international		\$ 3,518,270		3,518,270
Corporate bonds		809,941		809,941
Hedge funds - multi-strategy		4,570,690	\$ 1,553,064	6,123,754
Total	<u>\$ 25,818,805</u>	<u>\$ 8,898,901</u>	<u>\$ 1,553,064</u>	<u>\$ 36,270,770</u>

-continued-

MIRIAM OSBORN MEMORIAL
HOME ASSOCIATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

NOTE 2 - INVESTMENTS (continued)

	2010			Total
	Level 1	Level 2	Level 3	
Money market funds	\$ 12,219,124			\$ 12,219,124
Equity funds - domestic	15,234,400			15,234,400
Equity funds - international		\$ 4,074,394		4,074,394
Corporate bonds		764,543		764,543
Hedge funds - multi-strategy		<u>4,587,654</u>	<u>\$ 1,563,934</u>	<u>6,151,588</u>
Total	<u>\$ 27,453,524</u>	<u>\$ 4,426,591</u>	<u>\$ 1,563,934</u>	<u>\$ 38,444,049</u>

	2011 (Level 3)	2010 (Level 3)
Beginning balance	\$ 1,563,934	\$ -
Total gains or losses (restricted/unrestricted) relating to assets still held at the reporting date	(10,870)	63,934
Purchases		<u>1,500,000</u>
Ending balance	<u>\$ 1,553,064</u>	<u>\$ 1,563,934</u>

-continued-

**MIRIAM OSBORN MEMORIAL
HOME ASSOCIATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

NOTE 2 - INVESTMENTS (continued)

The hedge funds are multi-strategy. As such, they are designed to produce a consistent return with volatility comparable to a diversified fixed-income portfolio. There are no unfunded commitments. The funds have various redemption requirements as follows:

2011		
Amount	Redemption Frequency	Redemption Period Notice
\$ 393,877	Quarterly	60 days
354,198	Quarterly	90 days
393,605	Quarterly	45 days
381,477	Anniversary	60 days
29,907	Quarterly	90 days

\$ 1,553,064

2010		
Amount	Redemption Frequency	Redemption Period Notice
\$ 396,634	Quarterly	60 days
356,677	Quarterly	90 days
396,360	Quarterly	45 days
384,147	Anniversary	60 days
30,116	Quarterly	90 days

\$ 1,563,934

-continued-

**MIRIAM OSBORN MEMORIAL
HOME ASSOCIATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

NOTE 2 - INVESTMENTS (continued)

Investment income earned is as follows:

	<u>2011</u>	<u>2010</u>
Interest and dividends on unrestricted investments	\$ 253,878	\$ 468,412
Escrow funds	<u>4,618</u>	<u>7,311</u>
Total investment income	<u>\$ 258,496</u>	<u>\$ 475,723</u>
Realized and unrealized gains (losses) on investments	<u>\$ (1,038,509)</u>	<u>\$ 3,669,111</u>

NOTE 3 - FIXED ASSETS

	<u>2011</u>	<u>2010</u>	<u>Estimated Useful Lives</u>
Land - at nominal value	\$ 1	\$ 1	
Construction in progress	1,411		
Land improvements	1,219,081	1,177,725	10 years
Building and improvements	157,403,314	156,452,177	30 - 40 years
Fixed equipment	3,385,396	3,001,696	10 years
Movable equipment	4,033,749	3,706,557	5 years
Furniture and fixtures	9,596,772	4,800,774	10 years
Vehicles	<u>587,347</u>	<u>473,357</u>	5 years
	176,227,071	169,612,287	
Less accumulated depreciation	<u>(66,490,452)</u>	<u>(60,811,459)</u>	
	<u>\$ 109,736,619</u>	<u>\$ 108,800,828</u>	

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**MIRIAM OSBORN MEMORIAL
HOME ASSOCIATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

NOTE 4 - MORTGAGES PAYABLE

In March 2000, \$44,965,000 of Series 2000B bonds were issued by The Dormitory Authority of the State of New York (the Authority). The Series 2000B bonds bear interest at annual fixed rates of 5.3% to 6.375%. An escrow fund has been established to service the semiannual bond payments. Series B is secured by a municipal bond issuance policy from American Capital Access Financial Guaranty Corporation (ACA).

In conjunction with the issuance of the above bonds, the Association has entered into a loan agreement with the Authority and ACA. The obligation is secured by a mortgage on the real property and security in certain fixtures, furnishings and equipment. The required payments are as follows:

	<u>Mortgage Principal</u>	<u>Mortgage Interest</u>	<u>Total</u>
2012	\$ 1,135,000	\$ 2,506,553	\$ 3,641,553
2013	1,210,000	2,425,944	3,635,944
2014	1,295,000	2,339,834	3,634,834
2015	1,385,000	2,247,709	3,632,709
2016	1,475,000	2,149,397	3,624,397
Thereafter	<u>31,445,000</u>	<u>15,308,400</u>	<u>46,753,400</u>
	<u>\$ 37,945,000</u>	<u>\$ 26,977,837</u>	<u>\$ 64,922,837</u>

Escrow funds held in cash accounts are as follows:

	<u>2011</u>	<u>2010</u>
Debt service reserve	\$ 3,684,789	\$ 3,689,099
Debt service	<u>1,843,352</u>	<u>1,844,859</u>
	<u>\$ 5,528,141</u>	<u>\$ 5,533,958</u>

The Association is currently in the process of seeking new financing arrangements for refurbishing and to lower interest costs.

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MIRIAM OSBORN MEMORIAL
HOME ASSOCIATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

NOTE 5 - DEFINED BENEFIT PENSION PLAN

Miriam Osborn Memorial Home Association has a noncontributory defined benefit pension plan which covers substantially all employees. Effective June 30, 2011 the plan was frozen and benefits ceased to accrue.

The following table sets forth the net periodic pension cost and the plan's funded status as of December 31, 2011 and 2010:

<u>Components of Net Periodic Cost</u>	<u>2011</u>	<u>2010</u>
Service cost	\$ 821,130	\$ 1,515,122
Interest cost	1,597,196	1,440,140
Expected return on plan assets	<u>(1,371,376)</u>	<u>(1,336,381)</u>
Subtotal	1,046,950	1,618,881
Net prior service credit amortization	(79,559)	(238,677)
Net loss amortization	<u>643,613</u>	<u>562,103</u>
Net periodic benefit cost	<u>\$ 1,611,004</u>	<u>\$ 1,942,307</u>
<u>Change in Accrued Benefit Cost, Projected Benefit Obligation and Assets</u>	<u>2011</u>	<u>2010</u>
1. Change in prepaid (accrued) benefit cost		
(a) Accrued benefit cost at beginning of fiscal year	\$ (1,421,495)	\$ (1,600,545)
(b) Net periodic benefit income (cost) for fiscal year	(1,611,004)	(1,942,307)
(c) Gain on curtailments	2,399,572	
(d) Employer contributions paid during fiscal year	<u>4,000,000</u>	<u>2,121,357</u>
(e) Accrued benefit cost at fiscal year end	3,367,073	(1,421,495)
(f) Additional liability	<u>(15,826,161)</u>	<u>(7,404,677)</u>
(g) Net balance sheet liability	<u>\$ (12,459,088)</u>	<u>\$ (8,826,172)</u>

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MIRIAM OSBORN MEMORIAL
HOME ASSOCIATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

NOTE 5 - DEFINED BENEFIT PENSION PLAN (continued)

<i>Change in Accrued Benefit Cost, Projected Benefit Obligation and Assets (continued)</i>	2011	2010
2. Change in projected benefit obligation (PBO)		
(a) PBO at prior measurement date	\$ 28,819,040	\$ 24,454,205
(b) Service cost	821,130	1,515,122
(c) Interest cost	1,597,196	1,440,140
(d) Actuarial loss	4,950,800	2,335,201
(e) Benefits paid	(963,514)	(883,847)
(f) Benefits paid	(281,459)	
(g) Administrative expenses paid	<u>(29,327)</u>	<u>(41,781)</u>
(h) PBO at current measurement date	<u>\$ 34,913,866</u>	<u>\$ 28,819,040</u>
3. Change in plan assets		
(a) Fair value of assets at prior measurement date	\$ 19,992,868	\$ 16,734,004
(b) Actual return on assets	(574,576)	2,021,354
(c) Employer contributions	4,000,000	2,121,357
(d) Benefits paid	<u>(963,514)</u>	<u>(883,847)</u>
(e) Fair value of assets at current measurement date	<u>\$ 22,454,778</u>	<u>\$ 19,992,868</u>
<i>Reconciliation of Funded Status</i>	2011	2010
1. Reconciliation of funded status		
(a) Projected benefit obligation (PBO)	\$ (34,913,866)	\$ (28,819,040)
(b) Fair value of assets (FVA)	<u>22,454,778</u>	<u>19,992,868</u>
(c) Funded status	<u>\$ (12,459,088)</u>	<u>\$ (8,826,172)</u>
(d) Net balance sheet liability	<u>\$ (12,459,088)</u>	<u>\$ (8,826,172)</u>
2. Assumptions and dates used at disclosure		
(a) Discount rate	4.500%	5.500%
(b) Compensation increase rate	N/A	2.000%
(c) Measurement date	12/31/2011	12/31/2010
(d) Census date	01/01/2011	01/01/2010

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**MIRIAM OSBORN MEMORIAL
HOME ASSOCIATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

NOTE 5 - DEFINED BENEFIT PENSION PLAN (continued)

<i>Reconciliation of Funded Status (continued)</i>	2011	2010
3. Assumptions used to determine expense		
(a) Discount rate	5.500%	5.500%
(b) Long-term rate of return on assets	6.000%	7.750%
(c) Compensation increase rate	2.000%	2.000%
 <i>Additional Disclosure Information</i>		
1. Expected benefit payments		
(a) During fiscal year ending December 31, 2012	\$ 1,392,446	
(b) During fiscal year ending December 31, 2013	1,486,570	
(c) During fiscal year ending December 31, 2014	1,550,384	
(d) During fiscal year ending December 31, 2015	1,667,499	
(e) During fiscal year ending December 31, 2016	1,715,534	
(f) During fiscal year ending December 31, 2017 through December 31, 2021	9,450,090	
2. Employer contributions expected to be paid during fiscal year ending December 31, 2012	1,835,298	
Employer contributions - long-term portion	10,623,790	
3. Expected amortization amounts during fiscal year ending December 31, 2012		
(a) Amortization of net prior service credit		
(b) Amortization of net loss	578,158	

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MIRIAM OSBORN MEMORIAL
HOME ASSOCIATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

NOTE 5 - DEFINED BENEFIT PENSION PLAN (continued)

Plan Assets

The fair values of the pension plan assets, by asset category, are as follows:

Asset Category	2011		Total
	Level 1	Level 2	
Money market funds	\$ 6,780,439		\$ 6,780,439
Diversified investment partnership		\$ 15,674,339	15,674,339
Total	<u>\$ 6,780,439</u>	<u>\$ 15,674,339</u>	<u>\$ 22,454,778</u>

As of December 31, 2011, there are no unfunded commitments.

Asset Category	2010		Total
	Level 1	Level 2	
Money market funds	\$ 3,764,136		\$ 3,764,136
Diversified investment partnership		\$ 16,228,732	16,228,732
Total	<u>\$ 3,764,136</u>	<u>\$ 16,228,732</u>	<u>\$ 19,992,868</u>

NOTE 6 - POSTRETIREMENT MEDICAL AND LIFE INSURANCE BENEFIT PLAN

The Association provides a limited postretirement medical benefit plan for approximately 40 current employees. The following table sets forth the plan's combined unfunded status and amounts recognized in the balance sheets at December 31, 2011 and 2010:

<i>Components of Net Periodic Cost for the Years Ending December 31, 2011 and 2010</i>	2011	2010
Service cost	\$ 11,760	\$ 11,807
Interest cost	59,296	61,025
Amortization of plan change		(41,724)
Net gain amortization	<u>(15,545)</u>	<u>(149,355)</u>
Net periodic postretirement benefit cost (income)	<u>\$ 55,511</u>	<u>\$ (118,247)</u>

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MIRIAM OSBORN MEMORIAL
HOME ASSOCIATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

NOTE 6 - POSTRETIREMENT MEDICAL AND LIFE INSURANCE BENEFIT PLAN
(continued)

<u>Change in Prepaid (Accrued) Benefit Cost</u>	<u>2011</u>	<u>2010</u>
Accrued benefit cost at beginning of fiscal year	\$ (1,247,291)	\$ (1,428,480)
Net periodic benefit income (cost) for fiscal year	(55,511)	118,247
Employer contributions paid during fiscal year	<u>60,833</u>	<u>62,942</u>
Accrued benefit cost at fiscal year end	(1,241,969)	(1,247,291)
Additional asset	<u>314,145</u>	<u>127,522</u>
Net balance sheet liability	<u>\$ (927,824)</u>	<u>\$ (1,119,769)</u>
Change in accumulated postretirement benefit obligation (APBO)		
APBO at prior measurement date	\$ 1,119,769	\$ 1,057,428
Service cost	11,760	11,807
Interest cost	59,296	61,025
Actuarial loss (gain)	(202,168)	52,451
Benefits paid	<u>(60,833)</u>	<u>(62,942)</u>
APBO at current measurement date	<u>\$ 927,824</u>	<u>\$ 1,119,769</u>
 <u>Additional Disclosure Information</u>		
Expected benefit payments		
(a) During fiscal year ending December 31, 2012	\$ 66,336	
(b) During fiscal year ending December 31, 2013	71,127	
(c) During fiscal year ending December 31, 2014	72,893	
(d) During fiscal year ending December 31, 2015	77,641	
(e) During fiscal year ending December 31, 2016	76,177	
(f) During fiscal year ending December 31, 2017 through December 31, 2021	368,574	
 <u>Development of +1%/-1% Trend Sensitivities</u>		
	<u>2011</u>	
	<u>Baseline</u>	<u>Trend</u>
		<u>(+1%)</u>
		<u>Trend</u>
		<u>(-1%)</u>
Service cost plus interest cost	<u>\$ 71,056</u>	<u>\$ 73,033</u>
		<u>\$ 69,094</u>

-continued-

**MIRIAM OSBORN MEMORIAL
HOME ASSOCIATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

**NOTE 6 - POSTRETIREMENT MEDICAL AND LIFE INSURANCE BENEFIT PLAN
(continued)**

Assumed trend is 8.5% for 2011 reducing by .5% per year until the ultimate trend in 2018 of 5%.

<u><i>Assumptions and Measurement Dates</i></u>	<u>2011</u>	<u>2010</u>
Benefit obligations		
Discount rate	4.50%	5.50%
Measurement date	12/31/11	12/31/09
Census data snapshot date	01/01/12	01/01/10
Net periodic postretirement benefit cost		
Discount rate	5.50%	6.00%
Census data snapshot date	01/01/11	01/01/10

The estimated payments for 2012 are \$66,336.

NOTE 7 - DEFINED CONTRIBUTION PENSION PLAN

In conjunction with the freezing of benefits under the defined benefit plan as of June 30, 2011, the Association formed a defined contribution pension plan covering all employees 21 years and older with at least 90 days of employment. The Association contributes 3% of all employees' salaries and matches 50% of employee contributions up to 1.5% of salary. Employees who were vested in the defined benefit plan are automatically vested in the defined contribution plan. All other employees become vested after 3 years of full time (1,000 hours) service. The defined contribution pension expense for the year ended December 31, 2011 was \$411,633 for services from July 1, 2011 through December 31, 2011.

NOTE 8 - ACCRUED COMPENSATION PAYABLE

Accrued compensation payable consists of accrued vacation, wages and deferred compensation. As of December 31, 2011 and 2010, vacation and accrued wages were \$577,664 and \$588,310, respectively. A deferred compensation plan was established to provide deferred compensation to certain key personnel. The Association has substantially funded this liability with the cash value of life insurance policies. The Association deposited, net of premiums, \$77,997 in 2010 into the fund. No deposits were made in 2011. The liability as of December 31, 2011 and 2010 was \$1,927,394 and \$1,740,406, respectively, which is reflected in accrued compensation payable.

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MIRIAM OSBORN MEMORIAL
HOME ASSOCIATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

NOTE 9 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts reported on the balance sheets of the Association approximate their fair value.

NOTE 10 - FUNCTIONAL EXPENSES

The Association provides resident care services. Expenses related to providing these services are as follows:

	<u>2011</u>	<u>2010</u>
Resident care services		
Resident service (Schedule 2)	\$ 24,882,111	\$ 23,600,748
Facility and property (Schedule 2)	4,378,489	4,436,113
Depreciation	5,678,993	5,205,264
Interest	2,582,006	2,647,694
Real estate taxes	<u>1,995,217</u>	<u>1,731,051</u>
Total resident care services	<u>39,516,816</u>	<u>37,620,870</u>
Management and general		
Administration, marketing and finance (Schedule 3)	\$ 4,310,245	\$ 4,240,286
Investment management fees	354,427	256,989
Insurance costs - fire, liability and other	502,644	502,985
Legal fees	230,000	159,396
Fees and maintenance	347,076	351,984
Cash receipts assessment	<u>604,188</u>	<u>542,904</u>
Total management and general	<u>6,348,580</u>	<u>6,054,544</u>
Total	<u>\$ 45,865,396</u>	<u>\$ 43,675,414</u>

-continued-

MIRIAM OSBORN MEMORIAL
HOME ASSOCIATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

NOTE 11 - REAL ESTATE TAXES

The Association settled a dispute over its real estate taxes. The settlement covers the assessment periods of 2007 through 2013. For the assessment periods through 2009, the Association received a net tax refund of \$1,491,940 in 2011.

NOTE 12 - CONTINGENCIES - MEDICARE REIMBURSEMENT

Medicare Part "A" services are reimbursed under a Prospective Payment System (PPS), which is a case mix system of mutually exclusive groups with varying prices. The groupings are based on patient assessment data, which is subject to audit.

The Association has filed cost reports with Centers for Medicare and Medicaid Services (CMS) in connection with the Medicare program. These reports are subject to audit and retroactive adjustments. Final settlements have been received through 2010. All settlements are recorded in the period when received. No provision has been made for possible adjustments for 2011, since management does not anticipate any material adjustments based on the cost reports and in any event rates are prospectively set under PPS without regard to the Association's actual reported costs. In addition, CMS has the right to audit billings and related documentation.

NOTE 13 - LINE OF CREDIT

At December 31, 2011, the Association had an unsecured line of credit in the amount of \$3,000,000 with M&T Bank. Interest on the line is charged at LIBOR plus 2.25%. There were no drawdowns in 2011 or 2010.

MIRIAM OSBORN MEMORIAL
HOME ASSOCIATION

SCHEDULE OF OTHER REVENUES

YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Rental income	\$ 64,888	\$ 63,473
Other resident services income	541,135	492,756
Other revenue	<u>158,886</u>	<u>145,793</u>
Total other revenues (Exhibit B)	<u>\$ 764,909</u>	<u>\$ 702,022</u>

See independent auditor's report.

**MIRIAM OSBORN MEMORIAL
HOME ASSOCIATION**

**SCHEDULE OF RESIDENT SERVICES AND FACILITIES
AND PROPERTY EXPENSES**

YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Resident services		
Salaries	\$ 15,010,729	\$ 14,640,444
Employee benefits	6,787,347	6,137,187
Food	1,084,133	1,042,102
Medical fees, drugs and supplies	1,436,016	1,225,100
Office and other expenses	299,259	317,505
Housekeeping and kitchen supplies	235,288	202,204
Furniture and furnishings	<u>29,339</u>	<u>36,206</u>
Total resident services (Exhibit B)	<u>\$ 24,882,111</u>	<u>\$ 23,600,748</u>
Facilities and property		
Salaries	\$ 991,075	\$ 955,498
Employee benefits	448,131	400,539
Utilities	1,742,282	1,919,072
Maintenance and security	<u>1,197,001</u>	<u>1,161,004</u>
Total facilities and property (Exhibit B)	<u>\$ 4,378,489</u>	<u>\$ 4,436,113</u>

See independent auditor's report.

MIRIAM OSBORN MEMORIAL
HOME ASSOCIATION

SCHEDULE OF ADMINISTRATION, MARKETING AND
FINANCE, AND OTHER EXPENSES

YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Administration, marketing and finance		
Salaries	\$ 2,178,594	\$ 2,219,149
Employee benefits	985,087	930,254
Office and other expenses	<u>1,146,564</u>	<u>1,090,883</u>
Total administration, marketing and finance expenses (Exhibit B)	<u>\$ 4,310,245</u>	<u>\$ 4,240,286</u>
Other expenses		
Investment management fees	\$ 354,427	\$ 256,989
Insurance costs - fire, liability and other	502,644	502,985
Legal fees	230,000	159,396
Real estate taxes (Note 11)	1,995,217	1,731,051
Fees and maintenance	347,076	351,984
Cash receipts assessment	<u>604,188</u>	<u>542,904</u>
Total other expenses (Exhibit B)	<u>\$ 4,033,552</u>	<u>\$ 3,545,309</u>

See independent auditor's report.

MIRIAM OSBORN MEMORIAL
HOME ASSOCIATION

SCHEDULE OF EMPLOYEE BENEFITS

YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Employee benefits		
Pension and deferred compensation	\$ 2,209,626	\$ 2,224,271
Payroll taxes	1,427,355	1,350,266
Workers' compensation	849,162	290,397
Hospitalization, major medical and disability	3,310,991	3,129,849
Insurance costs - employee life	65,550	81,715
Employee meal plan	307,908	344,553
Employee transportation	<u>49,973</u>	<u>46,929</u>
Total employee benefits	<u>\$ 8,220,565</u>	<u>\$ 7,467,980</u>

See independent auditor's report.

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

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SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

The following is a summary of certain provisions of the Loan Agreement pertaining to the Series 2012 Bonds and the Project. This summary does not purport to be complete and reference is made to the Loan Agreement for full and complete statements of its provisions. Defined terms used in this Appendix have the meanings ascribed to them in Appendix A.

Construction of the Project

The Institution agrees that, whether or not there are sufficient moneys available to it under the provisions of the Resolution and the Series Resolution and under the Loan Agreement, the Institution shall complete the acquisition, design, construction, reconstruction, rehabilitation 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 Construction Fund, cause the Institution to be reimbursed for, or pay, any costs and expenses incurred by the Institution which constitute Costs of the Project, provided such costs and expenses are approved by the Authority, which approval shall not be unreasonably withheld.

(Section 5)

Amendment of the Project

The Institution, with the prior written consent of the Authority, which consent will not be unreasonably withheld, may amend the Project 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. After the date of the Loan Agreement, the Institution shall not enter into, amend or modify, by change order or otherwise, any Contract Document that materially affects the scope or nature of the Project, without the prior written approval of the Authority, which approval shall not be unreasonably withheld; provided that any individual Contract Document whose stated value is less than \$250,000 may be amended or modify without the prior written approval of the Authority. The Institution shall deliver to the Authority copies of such change orders as the Authority may from time to time request.

The Institution shall provide such moneys or other security in such form as, in the reasonable judgment of the Authority, may be required to pay the cost of completing the Project in excess of the moneys or other security in the Construction Fund established for such Project, whether such moneys or other security are required as a result of an increase in the scope of the Project or otherwise. Such moneys or other security shall be paid or made available to the Trustee for deposit in the Construction Fund within thirty (30) days after receipt by the Institution of written notice from the Authority that such moneys or other security are required.

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

(Section 6)

Financial Obligations of the Institution

Except to the extent that moneys are available therefor under the Resolution or the Series Resolution or under the Loan Agreement, including, moneys in the Debt Service Fund, and interest accrued but unpaid on investments held in the Debt Service Fund, but excluding moneys in the Debt Service Reserve Fund held for the benefit of the Bonds, the Institution unconditionally agrees to pay or cause to be paid, so long as the Bonds are Outstanding, to or upon the order of the Authority, from its general funds or any other moneys legally available to it:

(i) On or before the date of delivery of the Bonds, the Authority Fee agreed to by the authority and the Institution in connection with the issuance of the Bonds;

(ii) On or before the date of delivery of the Bonds, such amount, if any, as is required, in addition to the proceeds of such Bonds available therefor, to pay the Costs of Issuance of the Bonds, and other costs in connection with the issuance of the Bonds;

(iii) On or before the tenth (10th) day of each month commencing on the tenth (10th) day of the sixth (6th) month immediately preceding the date on which interest on the Bonds, becomes due, one sixth (1/6) of the interest coming due on the Bonds on the immediately succeeding interest payment date on the Bonds so that by the tenth day of the month prior to the succeeding interest payment date sufficient amounts are on deposit to pay interest on the Bonds next coming due; provided, however, that, if with respect to the Bonds there are more or less than six (6) such payment dates prior to the first interest payment on such Bonds, on the tenth day of each month prior to such interest payment date, the Institution shall pay with respect to such Bonds an amount equal to the interest coming due on such Bonds on such interest payment date multiplied by a fraction, the numerator of which is one (1) and the denominator of which is the number of payment dates prior to the first interest payment date on such Bonds;

(iv) On or before the tenth (10th) day of each month commencing on the tenth (10th) day of the July which is twelve (12) months prior to the July 1 on which the principal or a Sinking Fund Installment of Bonds, if any, becomes due, one twelfth (1/12) of the principal and Sinking Fund Installment on the Bonds coming due on such July 1 so that by the tenth day of the month prior to the succeeding principal payment date sufficient amounts are on deposit to pay principal on the Bonds next coming due; provided, however, that, if with respect to a Series of Bonds there are less than twelve (12) such payment dates prior to the July 1 on which principal or Sinking Fund Installments, if any, come due on Bonds of a Series, on each payment date prior to such July 1 the Institution shall pay with respect to such Bonds an amount equal to the principal and Sinking Fund Installments, if any, of such Bonds coming due on such July 1 multiplied by a fraction, the numerator of which is one (1) and the denominator of which is the number of payment dates prior to such July 1;

(v) At least fifteen (15) 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, the amount required to pay the Redemption Price or purchase price of such Bonds;

(vi) The Annual Administrative Fee, at the times and in the amounts set forth in Exhibit C hereto;

(vii) 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 (A) for the Authority Fee then unpaid, (B) to reimburse the Authority for payments made by it pursuant to the Loan Agreement and any expenses or liabilities incurred by the Authority pursuant thereto, (C) to reimburse the Authority for any external costs or expenses incurred by it attributable to the issuance of the Bonds or the financing or construction of the Project, (D) for the costs and expenses incurred by the Authority to compel full and punctual performance by the Institution of all the provisions of the Loan Agreement or of the Mortgage or of the Resolution in accordance with the terms thereof, and (E) for the fees and expenses of the Trustee and any Paying Agent in connection with performance of their powers and duties under the Resolution or the Bond Series Certificate as more fully set forth in the Resolution;

(viii) Promptly upon demand by the Authority (a copy of which shall be furnished to the Trustee), all amounts required to be paid by the Institution as a result of an acceleration pursuant to the Loan Agreement;

(ix) Promptly upon demand by the Authority, the difference between the amount on deposit in the Arbitrage Rebate Fund available to be rebated in connection with the Bonds or otherwise available therefor under the Resolution and 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; and

The Authority shall direct the Institution, and the Institution shall agree, pursuant to the Loan Agreement, to make the payments required by the Loan Agreement as follows: (1) the payments required by paragraphs (iii), (iv), (v) and (viii) above, directly to the Trustee for deposit and application in accordance with the Resolution; (2) the payments required by paragraph (ii) above, directly to the Trustee for deposit in the Construction Fund or other fund established under the Resolution or the Bond Series Certificate, as directed by the Authority; (3) the payments

required by paragraphs (ix) above, directly to the Trustee for deposit in the Arbitrage Rebate Fund, and (4) the payments required by paragraphs (i), (vi) and (vii) above directly to the Authority.

Notwithstanding any provisions in the Loan Agreement or in the Resolution to the contrary (except as otherwise specifically provided for in this paragraph), all moneys paid by the Institution to the Trustee pursuant to paragraphs (iii), (iv) (v) and (viii) above shall be applied in reduction of the Institution's indebtedness to the Authority under the Loan Agreement, first, with respect to interest and, then, with respect to the principal amount of such indebtedness, but only to the extent that, with respect to interest on such indebtedness, such moneys are applied by the Trustee for the payment of interest on Outstanding Bonds, and, with respect to the principal of such indebtedness, such moneys have been applied to, or are held for, payments in reduction of the principal amount of Outstanding Bonds and as a result thereof Bonds have been paid or deemed to have been paid in accordance with the Resolution. Except as otherwise provided in the Resolution, 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 Holders of Bonds, regardless of the actual due date or applicable payment date of any payment to the Holders of Bonds.

The obligations of the Institution 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 Institution may otherwise have against the Authority, the Trustee or any Holder of Bonds for any cause whatsoever including, without limiting the generality of the foregoing, failure of the Institution to complete the Project or the completion thereof with defects, failure of the Institution to occupy or use the Project, any declaration or finding that the Bonds are or the Resolution or the Bond Series Certificate 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 Institution may institute such action as it may deem necessary to compel performance or recover damages for non-performance. Notwithstanding the foregoing, the Authority shall have no obligation to perform its obligations under the Loan Agreement, to cause advances to be made to reimburse the Institution for, or to pay the Costs of the Project beyond the extent of moneys in the Construction Fund established for such Project available therefor.

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

The Authority, for the convenience of the Institution, shall furnish to the Institution 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 thereunder at the time and in the manner provided thereby. The Institution shall notify the Authority as to the amount and date of each payment made to the Trustee by the Institution.

The Authority shall have the right in its sole discretion to make on behalf of the Institution any payment required pursuant to the Loan Agreement which has not been made by the Institution when due. No such payment by the Authority shall limit, impair or otherwise affect the rights of the Authority under the Loan Agreement arising out of the Institution'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 Institution to make such payment.

The Institution, if there is no existing 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 the Debt Service Fund and applied in accordance with the Resolution or held by the Trustee for the payment of Bonds in accordance with the Resolution. Upon any voluntary payment by the Institution or any payment made pursuant to the Loan Agreement, the Authority agrees to direct the Trustee to purchase or redeem Bonds in accordance with the Resolution or to give the Trustee irrevocable instructions in accordance with the Resolution with respect to such Bonds; provided, however, that in the event such voluntary payment is in the sole judgment of the Authority sufficient to pay all amounts then due under the Loan Agreement and under the Resolution, including the purchase or redemption of all Bonds Outstanding, or to pay or provide for the payment of all Bonds Outstanding in accordance with the Resolution, the Authority agrees, in accordance with the instructions

of the Institution, to direct the Trustee to purchase or redeem all Bonds Outstanding, or to cause all Bonds Outstanding to be paid or to be deemed paid in accordance with the Resolution.

(Section 9)

Reserve Fund

The Institution agrees that it will at all times maintain on deposit in the Debt Service Reserve Fund an amount at least equal to the Debt Service Reserve Fund Requirement. Deposits, withdrawals and substitutions of moneys, Government Obligations and Exempt Obligations in the Debt Service Reserve Fund shall be made in accordance herewith with the Resolution.

The delivery to the Trustee of Government Obligations and Exempt Obligations and other moneys from time to time made by the Institution pursuant to the Loan Agreement shall constitute a pledge thereof, and shall create a security interest therein, for the benefit of the Authority to secure performance of the Institution'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 and the Series Resolution. The Institution authorizes the Authority pursuant to the Resolution and the Series Resolution to pledge such Government Obligations and Exempt Obligations and other moneys 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 and the Series Resolution.

The Institution agrees that upon each delivery to the Trustee of Government Obligations, Exempt Obligations or other moneys, whether initially or upon later delivery or substitution, the Institution shall deliver to the Authority and the Trustee a certificate of an Authorized Officer of the Institution to the effect that the Institution warrants and represents that the Government Obligations, Exempt Obligations or other moneys delivered by the Institution (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 Resolution and the Bond Series Certificate, and (ii) are pledged under the Loan Agreement pursuant to appropriate corporate action of the Institution duly had and taken.

Prior to the initial delivery of Government Obligations, Exempt Obligations or other Securities (other than moneys) to the Trustee pursuant to the Loan Agreement, and upon any later delivery or substitution, the Institution 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 Institution has full corporate power and authority to pledge such Government Obligations, Exempt Obligations and other Securities as security in accordance with the Loan Agreement, such Government Obligations, Exempt Obligations and other Securities have been duly delivered by the Institution to the Trustee, such delivery creates a valid and binding pledge and security interest therein in accordance with the terms of the Loan Agreement and of the Resolution, and nothing has come to the attention of such counsel that would lead it to believe that the Government Obligations, Exempt Obligations and other Securities delivered by the Institution 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. In lieu of providing a written opinion of counsel to the Institution as required in the Loan Agreement after every substitution of Government Obligations or Exempt Obligations, the Institution may provide such written opinion of counsel after the first substitution provided that it shall furnish to the Authority and the Trustee, once in every calendar quarter (in the first week of each January, April, July and October) thereafter in which a substitution is made, a further written opinion of counsel to the Institution to the effect that all Government Obligations, Exempt Obligation or other Securities deposited into any fund or account established under the Resolution or the Series Resolution, to and including the date of such opinion of counsel, comply with the requirements of the Loan Agreement.

(Section 10)

Security Interest in Gross Receipts

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

The Institution represents and warrants that no part of the Gross Receipts or any right to receive or collect the same or the proceeds thereof is subject to any lien, pledge, security interest or assignment, and that the Gross Receipts assigned pursuant to the Loan Agreement are legally available to provide security for the Institution's performance thereunder. The Institution agrees that it shall not create or permit the creation of any pledge, assignment, encumbrance, restriction, security interest in or other commitment of or with respect to the Gross Receipts which is prior to or, except in connection with the incurrence of Parity Indebtedness incurred in accordance with the provisions of the Exhibit E to the Loan Agreement, equal to the pledge made in the Loan Agreement and the Institution warrants to defend the Gross Receipts against any claims and demands of all persons at any time claiming the same or any interest therein adverse to the Authority.

(Section 11)

Collection of Gross Receipts

Commencing on the date on which the Bonds are first issued and delivered and continuing until no Bonds are Outstanding, the Institution shall deliver to the Trustee for deposit in the Debt Service Fund all Gross Receipts unless and until there is on deposit in the Debt Service Fund an amount at least equal to the sum of (i) the interest coming due on or prior to the earlier of the next succeeding July 1 or January 1, (ii) the principal and Sinking Fund Installments of Outstanding Bonds payable on and prior to the next succeeding July 1, and (iii) the Redemption Price or purchase price of Outstanding Bonds theretofore called for redemption or contracted to be purchased and accrued interest thereon to the date of redemption or purchase. In the event that, pursuant to the Loan Agreement, the Authority notifies the Institution that account debtors are to make payments directly to the Authority or to the Trustee, such payments shall be so made, to the extent permitted by law, notwithstanding anything contained in the Loan Agreement, but the Institution shall continue to deliver to the Trustee for deposit in the Debt Service Fund any payments received by the Institution with respect to the Gross Receipts.

Notwithstanding anything to the contrary in the preceding paragraph, in the event that, on or prior to the tenth day of any month, the Institution makes a payment to or upon the order of the Trustee, from its general funds in the amount which the Institution is required to pay by such day on account of the principal, Sinking Fund Installments or Redemption Price of or interest on Outstanding Bonds, the Institution shall not be required solely by virtue of the preceding paragraph, to deliver Gross Receipts to the Trustee for deposit in the Debt Service Fund with respect to such amount due to be paid by such day.

Any Gross Receipts collected by the Institution that are not required to be paid to the Trustee pursuant to the Loan Agreement shall be free and clear of the security interest granted by the Loan Agreement and may be disposed of by the Institution for any of its corporate purposes provided that no Event of Default (as defined in the Loan Agreement) nor any event which but for the passage of time or the receipt of notice or both would be an Event of Default has occurred and is continuing.

(Section 12)

Mortgage; Lien on Fixtures

At or before the delivery by the Authority of the Bonds, the Institution shall execute and deliver to the Authority the Mortgage, in recordable form, mortgaging the Mortgaged Property, which Mortgage shall constitute a first lien on the Mortgaged Property, subject only to the Permitted Encumbrances.

Prior to any assignment of the Mortgage to the Trustee in accordance with the terms of the Resolution, and subject to the limitations contained in Section 22 of the Loan Agreement, the Authority, without the consent of the Trustee or the Holders of the Bonds, may consent to the amendment, modification or waiver of any provision of the Mortgage and of any security interest in fixtures, furnishings or equipment located in or used in connection with the

Mortgaged Property and may consent to the release of Mortgaged Property from the lien of the Mortgage so long as either (i) such amendment, modification, waiver or release affects no more than one (1%) percent of the Mortgaged Property, or (ii) based on an appraisal in form and substance satisfactory to the Authority, the value of the Mortgaged Property following such amendment, modification, waiver or release equals not less than two (2) times the then-outstanding principal amount of Bonds and other Parity Indebtedness of the Institution secured by the Mortgaged Property, or (iii) such amendment, modification, waiver or release does not adversely affect in any material respect the interests of the Holders of the Bonds. As a condition to such approval, the Authority may require that the Institution pay to the Trustee for deposit in the Debt Service Fund an amount not to exceed the principal amount of the Bonds Outstanding at the date of such transfer, sale or conveyance, as such amount is determined by the Authority. Notwithstanding the foregoing, the Institution may remove equipment, furniture or fixtures in the Mortgaged Property provided that either (i) the Institution substitutes equipment, furniture or fixtures having a value and utility at least equal to the equipment, furniture or fixtures removed or replaced, or (ii) such equipment, furniture or fixtures is obsolete.

(Section 13)

Warranty of Title; Encumbrances; Title Insurance

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

As a condition precedent to the Authority's obligation to deliver such Bonds, the Institution agrees to provide or reimburse the Authority for providing at the sole option of the Authority a title insurance policy in form and substance and by insurer(s), all acceptable to the Authority, in the aggregate principal amount of the Bonds issued or such other amount as is acceptable to the Authority, insuring the Mortgage to be a valid first lien on the Mortgaged Property free and clear of liens and encumbrances except Permitted Encumbrances, or evidence satisfactory to the Authority that an existing policy of title insurance is in full force and effect.

The Institution warrants, represents and covenants that (i) title to the Project and the Mortgaged Property shall be kept free from any encumbrances, liens or commitments of any kind, other than Permitted Encumbrances, (ii) the Project and the Mortgaged Property are and will be serviced by all necessary utilities (including, to the extent applicable, without limitation, electricity, gas, water, sewer, steam, heating, air-conditioning and ventilation), and (iii) to the extent applicable, has and will have its own separate and independent means of access, apart from any other property owned by the Institution or others; provided, however, that such access may be through common roads or walks owned by the Institution used also for other parcels owned by the Institution.

(Section 14)

Consent to Pledge and Assignment

The Institution consents to and authorizes the assignment, transfer or pledge by the Authority to the Trustee of the Authority's rights to receive any or all of the payments required to be made pursuant to the Loan Agreement, any or all security interests granted by the Institution thereunder, including without limitation the security interest in the Gross Receipts given by the Institution pursuant thereto, the Mortgaged Property, any security interest in the fixtures, furnishings and equipment located on the Mortgaged Property 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 Institution under the Loan Agreement or arising out of the transactions contemplated thereby whether or not the right to enforce such payment or performance shall be specifically assigned by the Authority to the Trustee. The Institution 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 by the Loan Agreement or by law, any of such rights directly in its own name. Any such pledge and assignment shall be limited to securing the Institution's obligation to make all payments required by the Loan Agreement and to performing all other obligations required to be performed by the Institution 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 Institution thereunder.

(Section 15)

Tax-Exempt Status of Institution

The Institution represents that: (i) it is an organization described in Section 501(c)(3) of the Code, or corresponding provisions of prior law, and is not a "private foundation," as such term is defined under Section 509(a) of the Code; (ii) it has received a letter or other notification from the Internal Revenue Service 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, except for payment of unrelated business income tax. The Institution agrees that: (a) it shall not perform any act or enter into any agreement which shall adversely affect such federal income tax status and shall conduct its operations in the manner which will conform to the standards necessary to qualify the Institution as an educational organization within the meaning of Section 501(c)(3) of the Code or any successor provision of federal income tax law; and (b) it shall not perform any act, enter into any agreement or use or permit the Project to be used in a manner, or for any trade or business unrelated to the educational purposes of the Institution, which could adversely affect the exclusion of interest on the Bonds from federal gross income pursuant to Section 103 of the Code.

(Section 16)

Use of the Project

The Institution agrees that for so long as the Bonds shall be Outstanding, the Project shall be occupied or used only as a "facility for the aged" as defined in the Act.

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

(Section 20)

Restrictions on Religious Use

The Institution agrees that with respect to the Project or 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 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; provided, further, that if at any time, in the opinion of Bond Counsel, the then applicable law would permit the Project or portion thereof to be used without regard to the above stated restriction, said restriction shall not apply to such Project or portion thereof. The Authority and its agents may conduct such inspections as the Authority deems necessary to determine whether the Project or any portion or real property thereof financed by Bonds is being used for any purpose proscribed by the Loan Agreement. The Institution further agrees that prior to any disposition of any portion of the Project for less than fair market value, it shall execute and record in the appropriate real property records an instrument subjecting, to the satisfaction of the Authority, the use of such portion of such Project to the restriction that (i) so long as such portion of such Project (and, if included in the 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 the Project, or, if included in the Project, the real property on or in which such portion is situated, to be used without regard to the above stated restriction, then said restriction shall be without any force or effect. For the purposes of this paragraph, an involuntary transfer or disposition of the Project or a portion thereof, upon foreclosure, condemnation or otherwise, shall be considered a sale for the fair market value thereof.

(Section 21)

Sale of the Project or Mortgaged Property

The Institution covenants that it will not transfer, sell or convey the Project or the Mortgaged Property or any part thereof or interest therein, including development rights, without the prior approval of the Authority, unless (a) in the opinion of Bond Counsel, the same will not adversely affect the exclusion of interest on any Bond from gross income for federal income tax purposes and (b) the Institution pays to the Trustee either for deposit into the Debt Service Fund, or, pursuant to the Resolution, to be set aside or to purchase Defeasance Securities in accordance with the direction of the Authority, an amount equal to the greater of: (i) the amount, if any, which is sufficient to redeem or provide for payment in accordance with the Resolution of any Outstanding Bonds required to be redeemed or deemed paid in order to preserve the exclusion of interest on Bonds from gross income for federal income tax purposes; and (ii) the lesser of (A) the net proceeds of such transfer, sale or conveyance or (B) a percentage of the Outstanding Bonds determined by dividing (1) the principal amount of Bonds issued to finance the portion of such Project being transferred, sold or conveyed (which principal amount shall be reasonably determined by the Authority) including, if applicable, an allocable portion of the Debt Service Reserve Fund, if any, by (2) the aggregate principal amount of Bonds issued.

Notwithstanding the foregoing, the Institution may remove equipment, furniture or fixtures that are part of the Project or the Mortgaged Property and were financed with the proceeds of Bonds provided that the Institution substitutes for such equipment, furniture or fixtures additional equipment, furniture or fixtures having a value and utility at least equal to the equipment, furniture or fixtures removed or replaced.

(Section 22)

Covenant as to Insurance

The Institution agrees to maintain or cause to be maintained insurance with insurance companies or by means or self-insurance, insurance of such type, against such risks and in such amounts as are customarily carried by organizations located in the State providing services similar to those provided by the Institution and those of a nature similar to that of the Institution, 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 Institution shall at all times also maintain worker's compensation coverage and disability benefits insurance coverage as required by the laws of the State.

The Institution shall furnish to the Authority annually (1) a certificate or report of an Insurance Consultant that the insurance coverage maintained by the Institution is adequate and in accordance with the standards above, and (2) any certificates of workers' compensation insurance and disability benefits insurance coverage required by the New York State Workers' Compensation Board.

If the Authority shall so request in writing, the Institution shall provide to the Authority summaries or other evidence of its insurance coverage and shall obtain endorsements reasonably requested by the Authority.

In the event the Institution fails to provide the insurance required by the Loan Agreement, the Authority may elect at any time thereafter to procure and maintain the insurance required as described under this caption at the expense of the Institution. The policies procured and maintained by the Authority shall be open to inspection by the

Institution at all reasonable times, and, upon request of the Institution, a complete list describing such policies as of the June 30th preceding the Authority's receipt of such request shall be furnished to the Institution by the Authority.

(Section 24)

Defaults and Remedies

As used in the Loan Agreement the term "Event of Default" shall mean:

(i) the Institution shall default in the timely payment of any amount payable pursuant to the Loan Agreement or in the delivery of Securities or the payment of any other amounts required to be delivered or paid by or on behalf of the Institution in accordance therewith or with the Resolution; or

(ii) the Institution defaults in the due and punctual performance of any other covenant contained in the Loan Agreement and such default continues for thirty (30) days after written notice requiring the same to be remedied shall have been given to the Institution by the Authority or the Trustee, or, if such default is not capable of being cured within thirty (30) days, the Institution fails to commence within thirty (30) days after written notice requiring the same to be remedied shall have been given to the Institution by the Authority or the Trustee, the cure of the same and to diligently prosecute the cure thereof; provided, however, that no such extended cure period shall be deemed to apply to any covenant in Exhibit E to the Loan Agreement unless provided for therein; or

(iii) as a result of any default in payment or performance required of the Institution under the Loan Agreement or any other Event of Default thereunder, 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; or

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

(v) the Institution shall (A) be generally not paying its debts as they become due, (B) 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, (C) make a general assignment for the benefit of its general creditors, (D) 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, (E) be adjudicated insolvent or be liquidated or (F) take corporate action for the purpose of any of the foregoing; or

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

(vi) the charter of the Institution shall be suspended or revoked; or

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

(viii) an order of dissolution of the Institution shall be made by the legislature of the State or other governmental authority having jurisdiction over the Institution, which order shall remain undismitted or unstayed for an aggregate of thirty (30) days; or

(ix) a petition shall be filed with a court having jurisdiction for an order directing or providing for the sale, disposition or distribution of all or substantially all of the property belonging to the Institution which petition shall remain undismissed or unstayed for an aggregate of ninety (90) days; or

(x) an order of a court having jurisdiction shall be entered directing or providing for the sale, disposition or distribution of all or substantially all of the property belonging to the Institution, which order shall remain undismissed or unstayed for the earlier of (A) three (3) business days prior to the date provided for in such order for such sale, disposition or distribution or (B) an aggregate of thirty (30) days from the date such order shall have been entered; or

(xi) a final judgment for the payment of money in excess of \$200,000 shall be rendered against the Institution and at any time after thirty (30) days from the entry thereof, (A) such judgment shall not have been discharged or paid, or (B) the Institution shall not have taken and be diligently prosecuting an appeal therefrom or from the order, decree or process upon which or pursuant to which such judgment shall have been granted or entered, and shall not have caused, within thirty (30) days, the execution of or levy under such judgment, order, decree or process or the enforcement thereof to have been stayed pending determination of such appeal; or

(xii) the occurrence and continuance of an event of default by the Institution under any document relating to Parity Indebtedness.

Upon the occurrence of an Event of Default the Authority may take any one or more of the following actions:

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

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

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

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

(v) permit, direct or request the Trustee to liquidate all or any portion of the assets of a 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 Bonds, or any other obligation or liability of the Institution or the Authority arising from the Loan Agreement, from the Resolution or from the Bond Series Certificate relating to the Bonds;

(v) realize upon any pledge of or security interest in the Gross Receipts and the rights to receive the same, to the extent provided in the Loan Agreement, by any one or more of the following actions: (A) enter the Institution and, to the extent permitted by law, examine and make copies of the financial books and records of the Institution relating to the Gross Receipts and, to the extent of the assigned Gross Receipts, take possession of all instruments, chattel paper, checks or other orders for payment of money and moneys in the possession of the Institution representing Gross Receipts or proceeds thereof; (B) notify any account debtors obligated on any Gross Receipts to make payment directly to the Authority or to the Trustee, as the Authority may direct, and of the amount to be so paid; provided, however, that (1) the Authority may, in its discretion, immediately collect the entire amount of interest, principal, or Sinking Fund Installments, if any, coming due on Outstanding Bonds on the next interest payment date therefor, subject to the extent of Gross Receipts that may be accelerated, and may continue to do so with respect to the Gross Receipts, commencing on each interest payment date to the extent of amounts due on Outstanding Bonds on the next interest payment date therefor, until such amounts are fully collected, provided, however, that written notice of such notification shall be mailed to the Institution five (5) days prior to mailing or otherwise making such notification to account debtors; and provided further that until the Institution shall receive such notice it shall have full authority and responsibility to enforce and collect Gross Receipts owing from its

account debtors; (C) following the above mentioned notification to account debtors, collect, compromise, settle, compound or extend amounts payable as Gross Receipts which are in the form of accounts receivable or contract rights from the Institution's account debtors by suit or other means and give a full acquittance therefor and receipt therefor in the name of the Institution whether or not the full amount of any such account receivable or contract right owing shall be paid to the Authority; (D) require the Institution to deposit all moneys, checks or other orders for the payment of money which represent Gross Receipts in an amount equal to the Gross Receipts 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, however, that (1) the moneys in such fund or account shall be applied by the Authority to the payment of any of the obligations of the Institution under the Loan Agreement, including the fees and expenses of the Authority, (2) the Authority in its sole discretion may authorize the Institution to make withdrawals from such fund or account for its corporate purposes and (3) the requirement to make such deposits shall cease and the balance of such fund or account shall be paid to the Institution when all Events of Default under the Loan Agreement by the Institution have been cured or waived; (E) forbid the Institution to extend, compromise, compound or settle any accounts receivable or contract rights which represent any unpaid assigned Gross Receipts, 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; or (F) endorse, in the name of the Institution, any instruments, chattel paper, checks or other orders for the payment of money representing any unpaid assigned Gross Receipts or the proceeds thereof;

(vi) to the extent permitted by law, (A) enter upon the Project and complete the construction thereof in accordance with the plans and specifications with such changes therein as the Authority may deem appropriate and employ watchmen to protect the Project, all at the risk, cost and expense of the Institution, consent to such entry being given by the Institution pursuant to the Loan Agreement, (B) at any time discontinue any work commenced in respect of the construction of the Project or change any course of action undertaken by the Institution and not be bound by any limitations or requirements of time whether set forth in the Loan Agreement or otherwise, (C) assume any construction contract made by the Institution 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 Institution, whether or not previously incorporated into the construction of the Project, and (D) in connection with the construction of the Project undertaken by the Authority pursuant to the provisions of this subparagraph (vi): (1) engage builders, contractors, architects, engineers and others for the purpose of furnishing labor, materials and equipment in connection with the construction of the Project, (2) 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 such 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 (3) take or refrain from taking such action under the Loan Agreement as the Authority may from time to time determine. The Institution shall be liable to the Authority for all sums paid or incurred for construction of the Project whether the same shall be paid or incurred pursuant to the provisions of this subparagraph (vi) or otherwise, and all payments made or liabilities incurred by the Authority under the Loan Agreement of any kind whatsoever shall be paid by the Institution to the Authority upon demand. The Institution irrevocably constitutes and appoints the Authority its true and lawful attorney-in-fact to execute, acknowledge and deliver any instruments and to do and perform any acts in the name and on behalf of the Institution for the purpose of exercising the rights granted to the Authority by the Loan Agreement during the term thereof;

(viii) take any action necessary to enable the Authority to realize on its liens under the Loan Agreement, under the Mortgage, under the Gross Receipts Pledge Agreement or by law, including foreclosure of the Mortgage, and any other action or proceeding permitted by the terms of the Loan Agreement (including causing the Institution to enter into a deposit account control agreement in accordance with the provisions of the Loan Agreement), by the Mortgage, by the Gross Receipts Pledge and Security Agreement or by law; and

(ix) realize upon any security interest in the fixtures, furnishings and equipment, including any one or more of the following actions: (A) to the extent permitted by law, enter the Project or Mortgaged Property and take possession of any such fixtures, furnishings and equipment; or (B) sell, lease or otherwise dispose of any such fixtures, furnishings and equipment either together with a sale, lease or other disposition of the Mortgaged Property pursuant hereto or to the Mortgage, or separately, whether or not possession has been secured; provided, however, that if sold, leased or otherwise disposed of separately, such sale, lease or other disposition shall be in a commercially reasonable manner and upon five (5) days' prior written notice to the Institution of the time and place of such sale.

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

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 the Loan Agreement and its consequences if such Event of Default shall be cured. No such annulment shall extend to or affect any subsequent default or impair any right consequent thereto.

(Section 30)

Arbitrage; Tax Exemption

Each of the Institution and the Authority covenants that it shall take no action, nor consent to the taking of any action, nor fail to take any action or consent to the failure to take any action, or the making any investment or use of the proceeds of the Bonds, which would cause the Bonds 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 Institution (or any related person, as defined in Section 147(a)(2) of the Code) shall not, pursuant to an arrangement, formal or informal, purchase Bonds other than for delivery to and cancellation by the Trustee, unless the Authority and the Trustee shall receive an opinion of Bond Counsel to the effect that such purchase will not cause interest on the Bonds to be included in the gross income of the Holders of the Bonds for purposes of federal income taxation.

The Institution covenants that it will not take any action or fail to take any action which would cause any representation or warranty of the Institution contained in the Tax Certificate then to be untrue and shall comply with all covenants and agreements of the Institution contained in the Tax Certificate, in each case to the extent required by and otherwise in compliance with such Tax Certificate.

In the event that the Authority is notified in writing that the Bonds or any transaction pertaining thereto is the subject of any Internal Revenue Service or Securities and Exchange Commission investigation, suit or order, it shall promptly give notice thereof to the Institution. In the event that the Institution is notified in writing that the Bonds or any transaction pertaining thereto is the subject of any Internal Revenue Service or Securities and Exchange Commission investigation, suit or order, it shall promptly give notice thereof to the Authority. Upon the occurrence of such an event, the Institution and the Authority shall fully cooperate with one another and participate in all aspects of the conduct of the response thereto.

The Authority has undertaken full responsibility for performing rebate calculations that may be required to be made from time to time with respect to the Bonds. Upon request, the Institution covenants that it will provide such information as the Authority deems necessary to calculate the yield on the Bonds and any other information as may be necessary to prepare the rebate calculation to the Authority or an entity which the Authority has designated no less than once a year measured from the date of issuance of the Bonds. The Institution shall be obligated to pay the costs in connection therewith in accordance with the Loan Agreement. The Authority shall retain in its possession, so long as required by the Code, copies of all documents, reports and computations made by it in connection with the calculation of excess earnings and the rebate of all or a portion thereof to the Department of the Treasury of the United States of America, which shall be subject at all reasonable times to the inspection of the Institution and its agents and representatives, any of whom may make copies thereof. Upon written request from the Institution, the Authority shall as soon as practicable provide the Institution with a copy of such documents, reports and computations. The Authority shall also provide the Institution with a copy of all documents or reports filed with the Department of Treasury of the United States of America relating to the rebate of earnings.

(Sections 35 and 36)

Deposit Account Control Agreement

Upon the occurrence of an Event of Default by the Institution under the Loan Agreement or the failure of the Institution to satisfy the debt service coverage or liquidity covenants contained in Exhibit E to the Loan Agreement, the Authority may, in its sole discretion, require the Institution to enter into a deposit account control agreement with the Authority and a depository bank with respect to the Gross Receipts and the Institution covenants and agrees to promptly (and in all events within 15 days of receipt of written notice of such requirement from the Authority) enter into such a deposit account control agreement with respect to the Gross Receipts. In addition, the Institution covenants and agrees to execute and deliver to the Authority such further agreements and assignments or other instruments and to do all such other things as the Authority, in its sole discretion, may deem necessary or appropriate to preserve, protect and enforce the security interest of the Authority in the Gross Receipts under the laws of the State of New York, including the Uniform Commercial Code as then in effect in New York. If any part of the Gross Receipts is in the possession or control of any of the Institution's agents or bailees, the Institution covenants and agrees to notify such agents or bailees in writing of the Authority's security interest therein.

(Section 44)

Termination

The Loan Agreement shall remain in full force and effect until no Bonds are Outstanding and until all other payments, expenses and fees payable under the Loan Agreement (whether due to the Authority or any assignee) by the Institution shall have been made or provision made for the payment thereof; provided, however, that the liabilities and the obligations of the Institution under the Loan Agreement and to provide reimbursement for or indemnification against expenses, costs or liabilities made or incurred pursuant to 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 Institution to evidence such termination and the discharge of the Institution's duties under the Loan Agreement, including the satisfaction of the Mortgage, and the release or surrender of any security interests granted by the Institution to the Authority pursuant to the Loan Agreement.

(Section 45)

Exhibit E – Financial Covenants

Exhibit E to Loan Agreement- Financial Covenants and Additional Terms

1. Conflicts. Notwithstanding anything in the Loan Agreement to the contrary, in the event of a conflict in terms between this Exhibit E and the terms set forth in the body of the Loan Agreement (including, without limitation, in Sections 6 and 42), the terms set forth in this Exhibit E shall govern.

2. Definitions. All terms which are defined in the Loan Agreement and the Resolution shall have the same meanings, respectively, herein as such terms are given in the Loan Agreement and the Resolution. Capitalized terms in this Exhibit E not otherwise defined in the Loan Agreement or the Resolution shall have the following meanings.

“Balloon Indebtedness” shall mean Long-Term Indebtedness (i) twenty-five percent (25%) or more of the original principal amount of which matures during any period of twelve (12) consecutive months, or (ii) any portion of the original principal amount of which (1) may be tendered for purchase or redemption prior to maturity at the option of the owner thereof (including any such Indebtedness which is payable on demand within 365 days from the date of incurrence), or (2) is required to be tendered for purchase or redemption (other than for mandatory sinking fund redemption) prior to maturity thereof.

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

“Capital Lease” any lease of property, real or personal, the obligations of the lessee in respect of which are required in accordance with generally accepted accounting principles to be capitalized on a balance sheet of the lessee.

“Collateral”: the Mortgaged Property and all property and interests in property of the Institution, how owned or hereinafter acquired, up which a security interest is purported to be granted pursuant to Section 11 of the Loan Agreement.

“Days' Cash on Hand” shall mean, as of the date of calculation, is the sum of unrestricted cash and investments excluding amounts in the Debt Service Reserve Fund, divided by total annual expenses of Institution (including interest, but excluding depreciation, amortization and unrealized losses on investments) times 365.

“Debt Service Coverage Ratio” means, (A) for any period where the Days' Cash on Hand Ratio is 274 or lower, the ratio of (x) Funds Available for Debt Service to (y) Maximum Annual Debt Service on the Series 2012 Bonds and other Long Term Indebtedness (other than any Subordinate Obligations) and (B) for any period where the Days' Cash on Hand Ratio is 275 or higher, the ratio of the ratio of (x) Funds Available for Debt Service plus charity care expense for such period, to (y) Maximum Annual Debt Service on the Series 2012 Bonds and other Long Term Indebtedness (other than any Subordinate Obligations).

“Debt Service Requirements” shall mean, with reference to a specified period:

(a) with respect to any series of Bonds (i) interest accruing on such Bonds during the period, including any payments owed by the Institution under a Swap Agreement, except to the extent such interest is treated as a capital expense or is payable from the proceeds of such Bonds, and (ii) amounts required during such period to pay the principal amount of such Bonds or to redeem all or a portion of the Bonds, as the case may be; and

(b) with respect to any other Long-Term Indebtedness (i) interest accruing on such Long-Term Indebtedness during the period, except to the extent such interest is treated as a capital expense or is payable from the proceeds of such Long-Term Indebtedness, (ii) amounts required during such period to pay the principal amount of such Long-Term Indebtedness or to redeem all or a portion of such Long-Term Indebtedness, and (iii) all lease rental payments during the period under Capital Leases which constitute Long-Term Indebtedness.

For the purpose of determining the interest rate on any Bonds or other Long Term Indebtedness which bear interest at a variable rate, such interest rate shall be assumed to be: (1) for purposes of the *pro forma* Debt Service Coverage Ratio calculated pursuant to Section 6(a)(i) or (ii) below, the rate estimated by the Institution's investment banker or a Management Consultant to be the average rate in effect over the preceding 12 months on debt of comparable terms and creditworthiness at the time of such issuance or incurrence, plus 1% per annum, plus letter of credit and remarketing fees, if any; or (2) for the purpose of Bonds or Long Term Indebtedness then outstanding, the average of such variable rate during the preceding twelve months on such Bonds or other Long-Term Indebtedness (or such shorter period as the same has been outstanding).

For the purpose of determining the Debt Service Requirements on any other Long-Term Indebtedness incurred to finance a Capital Addition to any building housing residential units of the Institution the admission to which any such units is subject to the execution of Residence Agreements, there shall be applied as a credit against the principal amount of such Long-Term Indebtedness the amount of Entrance Fees or other moneys which are forecasted to be available to the Institution (other than from the proceeds of Long-Term Indebtedness) in any Feasibility Report and to be applied to pay the principal of such Long-Term Indebtedness during the forecast period covered by such Feasibility Report, provided that (i) no such forecast period shall extend more than five (5) full Fiscal Years beyond the date of completion of the Capital Additions being financed with such Long-Term Indebtedness or, in the case of Long-Term Indebtedness issued or incurred for refinancing purposes, five (5) Full Fiscal Years beyond the date of issuance thereof; and (ii) at the time such Debt Service Requirement is calculated, the Institution has available to pay such principal amount at least 90% of the Entrance Fees or other moneys forecasted to have been available for such purpose at such time.

For the purpose of determining the Debt Service Requirements on that portion of Long-Term Indebtedness which constitutes Balloon Indebtedness, at the option of the Institution, in lieu of the provisions of the preceding paragraphs:

(i) Unless the deemed amortization under clause (ii) below is applicable and the Debt Service Coverage Ratio for the preceding Fiscal Year was at least 1.20 and if the Days' Cash on Hand as of the end of the last Fiscal Year, and as of the most recent fiscal quarter, was, in both cases, at least 175, the Debt Service Requirements on such Balloon Indebtedness shall be deemed amortized over a term of 15 years, based on level payments of principal and interest, using an interest rate estimated by the Institution's investment banker or a Management Consultant to be in effect on debt of comparable terms and creditworthiness;

(ii) If the Debt Service Coverage Ratio for the preceding Fiscal Year was at least 1.35 and if the Days' Cash on Hand as of the end of the last Fiscal Year, and as of the most recent fiscal quarter, was, in both cases, at least 200, the Debt Service Requirements on such Balloon Indebtedness shall be deemed to be those which would be payable if such Balloon Indebtedness were amortized over a term of 20 years, based on level payments of principal and interest, using an interest rate estimated by the Institution's investment banker or a Management Consultant to be in effect on debt of comparable terms and creditworthiness;

(iii) If the Institution received an enforceable commitment for funding new Long-Term Indebtedness to repay any outstanding Balloon Indebtedness, the Debt Service Requirement for such outstanding Balloon Indebtedness shall be deemed to be those of the new Long-Term Indebtedness obligation, to the extent determinable

under the agreements governing the commitment;

(iv) If such Balloon Indebtedness is supported by a letter of credit or other similar credit enhancement, the Debt Service Requirements for such Balloon Indebtedness to the extent supported by such letter of credit or other similar credit enhancement shall be deemed to be those which will become due from the Institution assuming such letter of credit or other credit enhancement is drawn upon to pay such Balloon Indebtedness at any maturity of such Balloon Indebtedness (such as in accordance with any “term-out” provisions under the reimbursement agreement for such letter of credit); and

(v) If such Balloon Indebtedness does not meet any of the requirements of subparagraphs (i), (ii), (iii) or (iv) above, the Debt Service Requirements shall include the full amount of principal stated to be due in any year on such Balloon Indebtedness.

For the purpose of determining the Debt Service Requirement on Bonds or Long-Term Indebtedness, the principal thereof and interest thereon shall be disregarded to the extent that the Institution has defeased such Bonds or such Long-Term Indebtedness in accordance with their respective terms.

“Debt Service Reserve Fund Requirement” shall mean with respect to the Series 2012 Bonds, an amount equal to the Maximum Annual Debt Service Requirement on the Series 2012 Bonds, excluding the Debt Service Requirements becoming due in 2029 and in the year of final maturity of the Series 2012 Bonds.

“Entrance Fee” shall mean the fee so designated to be paid by each resident of the Project or any other building housing residential units of the Institution pursuant to the Residence Agreement applicable thereto and any deposit in respect thereof.

“Feasibility Report” shall mean a report prepared and signed by a Management Consultant setting forth for a forecast period not exceeding five Fiscal Years from the later of the date of issuance of the Long-Term Indebtedness in question, or the completion of the Capital Additions financed with such Long-Term Indebtedness: (i) forecasted financial statements prepared on the same basis as the Institution's audited financial statements; and (ii) a full explanation of the assumptions and rationale used in preparing such forecasts, including that such forecasts have taken into account the projected utilization of the Institution's facilities, the rates and charges to patients and residents and such other data and information as may be necessary to support the forecasted financial statements; which shall be accompanied by an opinion of such Management Consultant or the Institution that the underlying assumptions provide a reasonable basis for such forecast.

“Fiscal Year” shall mean any 12-month period beginning on January 1 of any calendar year and ending on December 31 of such calendar year.

“Funds Available for Debt Service” means with respect to any specified period, (a) the Institution's operating profit (loss) for such period determined (adjusted as described in the last sentence below) in accordance with generally accepted accounting principles, plus (b) depreciation expense, amortization of financing charges and other non-cash expenses taken into account in determining the Institution's total increase in unrestricted net assets, plus (c) interest expense (including related Credit Facility fees, remarketing fees and Swap payment expense) on Long-Term Indebtedness included in the calculation of Debt Service Requirements, plus (d) all Entrance Fees received in cash during such period, net of refunds, other than Entrance Fees that either (A) have been applied as a credit against the principal of Long-Term Indebtedness in accordance with the definition of Debt Service Requirements or (B) may not be available for Debt Service Requirements under applicable law or the terms of the Residence Agreements, minus (e) Entrance Fees amortized into income, minus, and excluding (f) any Swap payment income, any realized or unrealized gains or losses on investments or derivative instruments, any

extraordinary items, any changes in obligations to provide future services, any gain or loss resulting from the extinguishment of debt or the sale, exchange or other disposition of assets not made in the ordinary course of business, any other non-cash revenues, and gifts (and income thereon) subject to restrictions inconsistent with their application to payment of Debt Service Requirements. The amount described in clause (a) above shall exclude: any gains or losses from the disposition of capital assets or the refinancing of Indebtedness; permanent impairment losses; the proceeds received from insurance policies, and condemnation awards.

“Indebtedness” shall mean any obligation of the Institution for the payment of money, including without limitation, (i) indebtedness for money borrowed, (ii) purchase money obligations, (iii) leases evidencing the acquisition of capital assets, (iv) reimbursement obligations, and (v) guarantees of any such obligation of a third party, but excluding (a) obligations under contracts for supplies, services and pensions allocable to current operating expenses during the current or future Fiscal Years in which the supplies are to be delivered, the services rendered or the pensions paid, and (b) payments payable in the current or future Fiscal Years under leases not intended to evidence the acquisitions of capital assets and (c) refund obligations under the Residence Agreements.

“Institution Certificate” shall mean a certificate signed by an Authorized Officer of the Institution and delivered to the Authority and the Trustee.

“Interested Bondholder” shall mean the Holder of \$1,000,000 or more in aggregate principal amount of the Series 2012 Bonds and any other Bondholder who shall have filed a written request with the Trustee or the Institution to receive copies of reports hereunder.

“Long-Term Indebtedness” shall mean all Indebtedness of the Institution classified as long term debt (excluding for the avoidance of doubt, the “current Portion of long-term debt”) on the Institution’s balance sheet in accordance with generally accepted accounting principles, other than such Indebtedness constituting Other Permitted Indebtedness.

“Management Consultant” shall mean an independent consulting firm which is appointed by the Institution for the purpose of passing on questions relating to financial affairs, marketing, management or operations of the Institution, has a favorable reputation for skill and experience in performing similar services in respect of entities of a comparable size and nature and is approved by the Authority (such approval not to be unreasonably withheld or delayed, provided, that if the Authority does not affirmatively approve or reject any such proposed consulting firm within 20 days after the Institution’s written request to the Authority to approve such consulting firm, the Authority shall be deemed to have approved such consulting firm). If any Management Consultant’s certificate or report is required to be given with respect to matters partly within and partly without the expertise of any Management Consultant, such Management Consultant may rely upon the report or opinion of another Management Consultant possessing the necessary expertise.

“Maximum Annual Debt Service” shall mean the greatest Debt Service Requirements in the then current or any future Fiscal Year, other than the Debt Service Requirements on the Series 2012 for the twelve (12) month period ending December 31, 2029 and the twelve (12) month period ending December 31, 2042.

“Other Permitted Indebtedness” shall mean:

- (a) Current obligations payable out of current revenues, including current payments for the funding of pension plans or contributions to self-insurance programs;

- (b) Obligations under contracts for supplies, services and pensions, allocable to the current operating expenses of future years in which the supplies are to be furnished, the services are to be rendered or the pensions paid;
- (c) Scheduled payments under construction contracts;
- (d) Refund obligations under Residence Agreements;
- (e) Obligations to make payments under any Swap Agreements.

"Prohibited Person" shall mean shall mean (i) any individual, partnership, corporation, trust or unincorporated organization, and a government or agency or political subdivision or branch thereof (a "Person") (A) that is in default or in breach, beyond any applicable grace or cure period, of its obligations under any written agreement with the Issuer or the Authority, or (B) that directly or indirectly controls, is controlled by or is under common control with a Person that is in default or in breach, beyond any applicable grace or cure period, of its obligations under any written agreement with the Issuer or the Authority, unless such default or breach has been waived in writing by the Issuer or the Authority, as the case may be, and (ii) any Person (A) that has been convicted in a criminal proceeding for a felony or any crime involving moral turpitude or that is an organized crime figure or is reputed to have substantial business or other affiliations with an organized crime figure, or (B) that directly or indirectly controls, is controlled by or is under common control with a Person that has been convicted in a criminal proceeding for a felony or any crime involving moral turpitude or that is an organized crime figure or is reputed to have substantial business or other affiliations with an organized crime figure.

"Residence Agreement" shall mean any residency agreement between the Institution and any resident of the Institution as in effect from time to time.

"Short-Term Indebtedness" shall mean all Indebtedness of the Institution other than Long-Term Indebtedness.

"Subordinate Obligations" shall mean unsecured Indebtedness of the Institution the payment of the principal of and interest on which and other obligations of the Institution in respect thereof are subordinated to the prior payment in full of the principal of and interest on the Bonds; provided that pursuant to the terms of such Indebtedness, (i) payment of principal and interest shall not be permitted more frequently than on quarterly basis, and (ii) no payment of principal and interest shall be permitted if (A) the Debt Service Coverage Ratio and the required Days' Cash on Hand will not be met after giving effect to the proposed payment for the preceding quarterly evaluation date; (B) there is a deficiency in the Debt Service Reserve Fund; (C) the Days' Cash on Hand, after giving effect to such payment, is less than 225 days; or (D) the average occupancy of the independent living units was less than ninety percent (90%) for the preceding twelve (12) months; provided further, that the terms of such Indebtedness may provide that payments not permitted to be paid on Subordinate Obligations pursuant to the preceding proviso may be deferred with interest (but not interest on interest), until payment thereof is permitted pursuant to the preceding proviso.

"Swap Agreement" shall mean an interest rate exchange, hedge or similar agreement, expressly identified in a Certificate delivered to the Authority and the Trustee as being entered into in order to hedge the interest payable on all or a portion of any Indebtedness, which agreement may include, without limitation, an interest rate swap, a forward or futures contract or an option (e.g., a call, put, cap, floor or collar).

"Test Period": (a) each Fiscal Year, and (ii) each consecutive four fiscal quarter period ending on March 31, June 30 and September 30 of each year.

“Total Revenue” shall mean, for any period, the total revenues of the Institution determined in accordance with generally accepted accounting principles consistently applied.

3. Financial Covenants.

(a) Debt Service Coverage Ratio. The Institution shall not permit the Debt Service Coverage Ratio to be less than 1.20 to 1 for any Test Period (commencing with the Fiscal Year ending December 31, 2012).

(b) Minimum Cash on Hand Covenant. (a) The Institution shall not permit the Days' Cash on Hand to be less than 175 as of June 30 and December 31 of each year.

(c) Management Consultant and Report. If the Institution shall fail to comply with the financial covenants set forth in Section 3(a) or Section 3(b), if requested in writing by the Authority, the Institution shall submit the identity and credentials of a proposed Management Consultant to the Authority within fifteen (15) days of such request. The Institution shall thereafter deliver to the Authority, the Trustee and each Interested Bondholder a Management Consultant's report and plan that recommends corrective action, which corrective action shall be implemented to the extent not prohibited by law or existing contracts. Such report shall be delivered within sixty (60) days of the later of (i) the Authority's approval of the identity of the Management Consultant and (ii) the lapse of the twenty (20) day period within which the Authority may approve or reject the Institution's proposed Management Consultant. The Institution shall adopt a specific plan setting forth the steps designed to cause the Institution to come into compliance with the financial covenants set forth in Sections 3(a) and/or 3(b), as applicable, by the end of the second full fiscal quarter following the date such report and plan are delivered. Such report and plan shall be prepared and implemented pursuant to Section 5 below; provided that no such report and plan will be required if a report and plan have been delivered pursuant to this subsection within the last five (5) months.

(d) The failure of the Institution to comply with the financial covenants set forth in Section 3(a) and Section 3(b) shall not constitute an Event of Default unless either (i) the Institution fails after the request of the Authority pursuant to Section 3(c) to retain a Management Consultant and implement its recommendations as required by this Section 3; or (ii) in the case of a failure to comply with the financial covenant set forth in Section 3(a), the Institution fails to maintain a Debt Service Coverage Ratio of at least 1.0 for two consecutive fiscal quarters.

(e) Notwithstanding the foregoing, the Institution will not be considered to have failed to meet the Debt Service Coverage Ratio in accordance with Section 3(a) hereof or Minimum Cash on Hand Covenant in accordance with Section 3(b) hereof if the Institution can demonstrate that such failure was solely due to a change in generally accepted accounting principles not previously applicable to the Institution. In the event the Authority determines such a change in generally accepted accounting principles will create a lasting impediment upon the Institution's ability to comply with the provisions of Section 3(a) or Section 3(b) above, the Authority and the Institution may, without obtaining the consent of the Holders of the Bonds, amend provisions of such Sections and the related definitions upon which the calculations included in such Sections are based to provide for similar financial and economic measures of the Institution's performance.

4. [Reserved]

5. Management Reports - Retention of Manager. Whenever the Institution is required pursuant to Section 3 above to complete a report and plan for correcting a deficiency under said Section, the Board of the Institution shall cause such report and plan to be prepared and shall adopt such plan within the applicable time limit prescribed by such Sections. Each such report and plan shall be prepared by the Management Consultant. Each such

report and plan must be in writing and contain sufficient detail to support the conclusions made concerning the reasons for the deficiency and the steps to be taken for its correction. Each such report and plan shall be implemented without delay upon its adoption, except to the extent limited by law or existing contracts. Any Management Consultant retained by the Institution may recommend (with respect to the fees, rentals, rates or charges and with respect to improvements or changes in the marketing, operations or management of or the services rendered by the Institution) that the Institution either (i) make no change, or (ii) make some change, even though such recommendation is not calculated to result in full compliance with the requirements of Sections 3(a) and/or (b) above if, in the opinion of such Management Consultant, compliance with such recommendation should result in compliance with such requirements to the maximum extent feasible. Each such report of a Management Consultant shall take into account the Institution's current budget and state the extent to which prior recommendations (if any) of the Management Consultant may not have been complied with by the Institution. Copies of each such report and plan shall, as soon as possible, be sent to the Authority, the Trustee and each Interested Bondholder.

6. Additional Indebtedness. The Institution covenants and agrees that it will not hereafter incur or assume (the terms “incur” and “assume,” for the purposes hereof, to mean and include the guaranteeing of, or the direct or indirect assumption of liability for, the debts of others) any indebtedness other than as permitted in this Loan Agreement. Notwithstanding any provision herein to the contrary, the Institution may not incur or assume any Indebtedness if an Event of Default shall have occurred and be continuing.

(a) Additional Indebtedness. The Institution shall not incur or assume any Indebtedness except:

(i) Long Term Debt Basket Based on Forecasted Debt Service Coverage. Long Term Indebtedness in any amount provided that (A) the forecasted *pro forma* Debt Service Coverage Ratio for each of the next three Fiscal Years (or two years if the Management Consultant is professionally unable to issue a forecast for three Fiscal Years) is at least 1.35, (B) the Institution shall be in compliance with Sections 3(a) and 3(b) at the time such Long Term Indebtedness is incurred, and (C) the forecasted *pro forma* Days' Cash on Hand Ratio is not less than 200 days, in the case of clauses (A) and (C), as evidenced by a Feasibility Report delivered to the Authority and the Trustee prior to the incurrence of any such Long Term Indebtedness.

(ii) Long Term Debt Basket Based on Pro-Forma Debt Service Coverage. Long Term Indebtedness in any amount provided that (A) the *pro forma* Debt Service Coverage Ratio (based on a certificate executed by the Institution's accountant and calculated based on the preceding Fiscal Year's revenues and expenses, but assuming that the proposed new Long Term Indebtedness had been incurred at the beginning of the preceding Fiscal Year) is at least 1.35, (B) the Debt Service Coverage Ratio for the preceding Fiscal Year is at least 1.20, (C) the *pro forma* Days' Cash on Hand Ratio is not less than 200 days, as evidenced by an Accountant's Certificate delivered to the Authority and the Trustee prior to the incurrence of any such Long Term Indebtedness.

(iii) Long Term Debt Basket for Completion Indebtedness. Long-Term Indebtedness incurred or assumed to finance the Completion of the Project or a Capital Addition (i) in an aggregate principal amount not to exceed ten percent (10%) of the principal amount of the Long-Term Indebtedness originally incurred to finance the Project or such Capital Addition, so long as the Institution states in Institution Certificate that the scope of the Project or such Capital Addition is not being changed, or (ii) in any amount if the forecasted *pro forma* Debt Service Coverage Ratio for each of the next two Fiscal Years immediately following the completion of the Facility or such Capital Addition is at least 1.20 as evidenced by a Feasibility Report delivered to the Authority and the Trustee prior to the incurrence of any such Long Term Indebtedness.

(iv) Long Term Debt Refinancing Basket. Any Long Term Indebtedness incurred to refinance outstanding Long-Term Indebtedness if the Maximum Annual Debt Service Requirement attributed to the

proposed Long-Term Indebtedness do not exceed the Maximum Annual Debt Service Requirement attributed to the Long-Term Indebtedness to be refinanced, and the Institution delivers an Institution Certificate certifying the same.

(v) General Long Term Debt Basket. Any other Long Term Indebtedness in an aggregate amount at any time outstanding not exceeding five percent (5.0 %) of Total Revenues for the preceding Fiscal Year;

(vi) Short-Term Debt Basket. Any Short-Term Indebtedness (excluding any Short-Term Indebtedness which is Other Permitted Indebtedness) in an aggregate amount at any time outstanding not exceeding ten percent (10.0 %) of Total Revenues for the preceding Fiscal Year; provided that, except for Short-Term Indebtedness that qualifies as Long Term Indebtedness and is otherwise permitted under this Section 6 within one year after the incurrence of such Short Term Indebtedness or is paid off within one year of incurrence, the Institution shall reduce the aggregate amount of its Short-Term Indebtedness to 3% of Total Revenues for a period of 30 days each year;

(vii) Subordinate Debt Basket. Any Subordinate Obligations, provided no Subordinate Obligations may be incurred unless and until the holder of any proposed Subordinate Obligation first executes a “stand-still agreement” with the Trustee and the Authority in a form acceptable to the Trustee and the Authority which prohibits such holder from exercising any remedies against the Institution unless expressly permitted by the Trustee and the Authority.

(viii) Additional Bond Basket. Additional Bonds to the extent permitted under the Resolution, but only upon receipt by the Authority and the Trustee of the certificates and reports required to satisfy the requirements of Section 6(a)(i), Section 6(a)(ii), Section 6(a)(iii) or Section 6(a)(iv) above, together with such other documents, certificates, instruments and opinions as the Authority or the Trustee shall require.

(ix) Other Permitted Indebtedness Basket. Any Other Permitted Indebtedness.

provided, that, on or before the date on which any Long Term Indebtedness, whether secured or unsecured, is to be incurred or assumed, the Institution shall deliver to the Authority:

(A) General Requirements - Opinion of Counsel. In all cases except for Indebtedness incurred pursuant to paragraph (v) below, an opinion or opinions of counsel to the effect that: (A) the purpose of the Long-Term Indebtedness is one for which Long Term Indebtedness may be incurred under this Section 6; (B) all conditions prescribed herein as precedent to such incurrence have been fulfilled; (C) the additional Long Term Indebtedness has been validly authorized, provided that the opinions required in this paragraph maybe qualified to the actual knowledge of such counsel in the course of their representation of the Institution, such that, following reasonable inquiry and due diligence, no facts have come to their attention that would give them actual knowledge or actual notice that any such opinions or other matters are not accurate;

(B) General Requirements - Architect's Certificate for Capital Additions. If the purpose of such Long Term Indebtedness is a Capital Addition, an Architect's Certificate stating that, in the signer's opinion (A) the plans and specifications have been approved by the signer and all regulatory bodies required to approve them (specifying such regulatory bodies) and (B) the contracts entered into by the Institution and its agents (which contracts shall be specified) cover substantially all phases of the construction not being done by employees of the Institution and (C) the contractors have furnished payment and performance bonds covering the work to be performed under such contracts naming the Institution, the Authority and Trustee as obligees;

7. Security for Permitted Indebtedness. As long as no Event of Default has occurred and is continuing, any indebtedness permitted to be incurred or assumed as provided in Section 6 above may be secured only as hereinafter provided.

(a) *Parity Indebtedness.* The Institution may secure Indebtedness incurred or assumed pursuant to clauses (i)-(iv) of Section 6(a) on and security interests in all or any portion of the Collateral, secured on an equal and ratable basis with the Bonds then outstanding; provided, however, the following conditions are satisfied:

(i) The Institution shall deliver to the Authority and the Trustee the same reports, certificates and opinions which would be required under Section 6 above if such Long-Term Indebtedness were Additional Bonds and the same reports which would be required under Section 6 above,

(ii) The Indebtedness shall not be secured by the moneys and investments held in any Fund established under the Resolution;

(iii) All Capital Additions to be financed shall become part of the Mortgaged Property;

(iv) Any agreement for the repayment of such Indebtedness and instruments evidencing or securing the same shall provide that an event of default thereunder shall be an Event of Default hereunder;

(v) The holder of such Long-Term Indebtedness (other than the holder of Additional Bonds) and the Authority and the Trustee shall have entered into an intercreditor agreement providing that (A) any moneys realized from the exercise of remedies against the Institution, after deducting the costs of collecting the same, shall be applied for the equal and ratable benefit of the Bonds and such Long-Term Indebtedness, and (B) the Authority and the Trustee and the holder of such Long-Term Indebtedness shall give one another copies of any notice of any default given to the Institution; and

(vi) If the proposed Indebtedness is further secured by liens on properties and revenues other than the Collateral, a lien of equal rank and priority shall be granted upon the same properties and revenues to secure the Bonds; provided, however, the provisions of this subsection (vi) shall not be required if the Institution delivers to the Authority and the Trustee evidence that Bonds shall maintain an 'AAA', 'AA', or 'A' rating from Fitch Ratings following the incurrence of the proposed Indebtedness.

(b) *Other Secured Indebtedness.* Any Indebtedness incurred pursuant to Section 6 above that has not been secured as provided under subsection (a) above may be secured only as follows:

(i) by a lien on and security interest in any property or interest in property, real, personal or mixed, of the Institution other than the Collateral;

(ii) by a purchase money security interest in fixtures and equipment made part of the Mortgaged Property or by a security interest given to refinance a purchase money security interest; or

(iii) in the case of Indebtedness incurred pursuant to clauses (i)-(iv) of Section 6(a), by a lien on and security interest in the Collateral, subordinate to the lien of the Lender pursuant to the Mortgage and/or the Loan Agreement; provided that:

(I) no such Indebtedness shall be secured by the moneys and investments held in any Fund established under the Resolution,

(II) any agreement securing such Indebtedness shall provide that any Event of Default shall be an event of default thereunder, and

- (III) the holder of such Indebtedness and the Authority and the Trustee shall have entered into an intercreditor agreement providing that (A) the holder of such Indebtedness shall not be entitled to exercise any rights or remedies with respect to the Collateral until and unless the Authority or Trustee shall have instituted proceedings to foreclose on the Collateral, (B) any moneys realized from the exercise of remedies against the Institution, after deducting the costs of collecting the same, shall not be applied to the payment of such Indebtedness until the Bonds have been paid in full and (C) the Authority and the Trustee and the holder of such Long Term Indebtedness shall give one another copies of any notice of any default given to the Institution.

(c) Security for Short-Term Indebtedness and Working Capital Debt. Any Short-Term Indebtedness which is not in excess of \$500,000 and is permitted under Section 6 may be secured by a security interest on the Gross Receipts on a parity with the security interest created hereunder with respect to the Series 2012 Bonds, and if so secured, the agreement for the repayment of such Short Term Indebtedness and instruments evidencing or securing the same shall provide that: (i) any Event of Default shall be an event of default thereunder; and (ii) if any event of default shall have occurred with respect to such Short-Term Indebtedness, the holder thereof shall be entitled only to such rights to exercise, consent to or direct the exercise of remedies as are available to the Authority and the Trustee, and that all such remedies are, except as otherwise provided in the Loan Agreement, to be exercised solely by the Authority and the Trustee for the equal and ratable benefit of all Holders of Bonds and all holders of Short-Term Indebtedness so secured. Any agreement for the repayment of such indebtedness and instruments evidencing or securing the same shall provide for notices to be given to the Authority and the Trustee regarding defaults by the Institution, and shall specify the rights of the Authority and the Trustee to pursue remedies upon the receipt of such notice, and the sharing of the rights of the Authority and the Trustee to control the exercise of remedies with the holder of such indebtedness. Short Term Indebtedness or Long-Term Indebtedness which is incurred for the purpose of providing working capital may also be secured by a security interest in Gross Receipts which is subordinate to the security interest created hereunder with respect to the Series 2012 Bonds.

8. Institution to Maintain Its Existence: Mergers and Consolidations.

(a) The Institution shall maintain its existence as a not-for-profit corporation organized and in good standing under the laws of New York State, will not sell, pledge, assign, transfer or otherwise dispose of the Collateral or all or substantially all of its assets, will not transfer, assign or pledge all or any portion of its interest in and under this Loan Agreement, will not liquidate, wind-up or dissolve and will not consolidate with or merge into any other entity, nor permit any other entity to consolidate with or merge into it, except as permitted in subsection (b) below or as it relates to the transfer of assets as permitted in subsection 9(b) herein. The Institution further covenants and agrees that at no time during the term of this Loan Agreement shall it constitute a Prohibited Person.

(b) The Institution may consolidate with or merge into another corporation or permit one (1) or more other corporations to consolidate with or merge into it, or sell or otherwise transfer to another corporation all or substantially all of its assets as an entirety and, at the discretion of the Institution, thereafter liquidate or dissolve, if:

(i) The Institution is the surviving, resulting or transferee corporation, as the case may be (the "Survivor") or in the event the Institution is not the Survivor, the Survivor (A) is a solvent corporation either organized under the laws of, or duly qualified to do business and subject to service of process in, the State of New York, and is an organization described in Section 501(c)(3) of the Code, and (B) assumes in writing all of the covenants and obligations of the Institution under this Loan Agreement and the other documents relating to the Bonds to which the Institution is a party;

(ii) The Trustee and the Authority receive an opinion of Bond Counsel to the effect that such

merger, consolidation or transfer does not adversely affect the exclusion from gross income of the interest on the Bonds for federal income tax purposes;

(iii) Either (A) an Accountant shall deliver to the Trustee and the Authority, prior to such merger, consolidation or transfer, (1) a pro forma income statement showing that if the two (2) corporations had been merged or consolidated at the beginning of the Fiscal Year immediately prior to such merger, consolidation or transfer, the Debt Service Coverage Ratio for the Survivor would have been at least equal to the actual Debt Service Coverage Ratio for the Institution for the Fiscal Year immediately prior to such merger, consolidation or transfer and (2) a pro forma balance sheet showing that if the two (2) corporations had been merged or consolidated at the end of the Fiscal Year immediately prior to such merger, consolidation or transfer, the number of Days' Cash on Hand for the Survivor would have been at least equal to the actual number of Days' Cash on Hand for the Institution; or (B) the Institution shall have delivered Authority and the Trustee of the certificates and reports required to satisfy the requirements of Section 6(a)(i), Section 6(a)(ii), Section 6(a)(iii) or Section 6(a)(iv) above, together with such other documents, certificates, instruments and opinions as the Authority or the Trustee shall require, for any increase in the amount of Long-Term Indebtedness resulting from such merger, consolidation or transfer;

(iv) The Institution or the Survivor shall have obtained and delivered to the Trustee and the Authority any consent or approval required by the State of New York approving the change in ownership resulting from such merger, consolidation or transfer of assets, together with an opinion of Counsel that all such consents or approvals that are required have been obtained; and

(v) The Institution shall have delivered to the Trustee and the Authority a certificate (A) demonstrating that the Institution is in compliance with the Debt Service Coverage Ratio and Minimum Cash on Hand Covenant, and (B) stating that no Event of Default will have occurred by reason of such merger, consolidation or transfer, and no event will have occurred by reason of such merger, consolidation or transfer which, with the passage of time or giving of notice, or both, would constitute an Event of Default.

9. Transfers of Assets.

(a) Except as otherwise permitted by this Loan Agreement, the Institution may not remove, sell, lease, loan, assign, grant or otherwise dispose of its property, including without limitation, the Collateral, cash, marketable securities, accounts receivable, or any property, structures, improvements, fixtures or equipment.

(b) So long as no Event of Default has occurred and is continuing, the Institution may from time to time:

(i) Remove, sell or otherwise dispose of property that has been replaced in the ordinary course of its business;

(ii) Except for the disposal of property contemplated by the Project, sell or otherwise dispose of any tangible personal property, fixtures or equipment provided, however, that the book value of the same shall not exceed three percent (3%) of the net book value of the property, plant and equipment of the Institution (after deduction of accumulated depreciation) as shown on the Institution's audited financial statement for the most recent Fiscal Year (the "Property Plant and Equipment"); and provided, further, that the book value of property subject to such transfers for any three (3) consecutive Fiscal Years shall not exceed seven and one-half percent (7.5%) of Property, Plant and Equipment;

(iii) Except for the disposal of property contemplated by the Project, sell or otherwise dispose of tangible personal property, fixtures or equipment at any one time having a book value in excess of three percent (3%) of net Property, Plant and Equipment, as set forth in a Institution Certificate if the Institution delivers to the Trustee and the Authority and no more than seven and one-half percent (7.5%) during any period of three (3) consecutive Fiscal Years, as set forth in a Institution Certificate if the Institution delivers to the Trustee and the Authority:

- (1) an Institution Certificate showing that covenants set forth in Sections 3(a) and (b) were met on the last evaluation date;
- (2) if required by the Authority, a Certificate of an Architect or Management Consultant to the effect that such removal, sale or other disposition shall not materially adversely affect the use and operation of the Project, and
- (3) either (1) an Accountant's Certificate demonstrating and concluding that if such transfer had been made at the beginning of the preceding Fiscal Year, the Debt Service Coverage Ratio as calculated for such Fiscal Year, would have been at least ninety percent (90%) of the actual Debt Service Coverage Ratio for such Fiscal Year and not less than 1.35; or (2) a Feasibility Report forecasting that the forecasted *pro forma* Debt Service Coverage Ratio for each of the two (2) Fiscal Years following the proposed transfer would be at least ninety percent (90%) of the actual Debt Service Coverage Ratio for the preceding Fiscal Year and not less than 1.35.

(c) The Institution covenants that the net proceeds of any sale or other disposition made pursuant to subsection (b) above in excess of \$250,000 and not subject to donor restrictions, if any, shall be applied to the replacement of the property, fixtures or equipment sold or disposed of, or shall otherwise be reinvested in the Project and, pending such application or reinvestment, may be held as board designated funds, or shall be used to redeem Bonds, and further covenants that any property, fixtures or equipment received or installed as replacements to such removed property, fixtures or equipment shall be subject to the liens and security interests granted under the Mortgage.

(d) The Institution shall not donate, lend, exchange or otherwise dispose of any of its cash or investments to any entity, unless (A) the Institution delivers to the Trustee and the Authority an Accountant's Certificate demonstrating that if the transfer had been made at the beginning of the prior Fiscal Year on a pro forma basis: (i) the Debt Service Coverage Ratio for such year would have been at least 1.50; and (ii) the number of Days' Cash on Hand at the end of such Fiscal Year would have been at least 275. The foregoing limitation shall not apply to: (1) payment by the Institution of operating and overhead expenses, Debt Service Requirements on the Bonds or other Indebtedness permitted hereunder, or redemption of Bonds; or (2) transfers by the Institution in payment for goods, property, investments or services at market value; (3) investments in marketable securities; or (4) extensions of credit to residents of the Project for services in the ordinary course of business; or (5) the expenditure or transfer by the Institution of the proceeds of gifts, grants, bequests, donations or contributions (collectively "gifts") heretofore or hereafter made which are designated by the donor at the time to be made for certain specific purposes other than described in clauses (1), (2) and (3) of this sentence. Notwithstanding the foregoing, the payment of any Indebtedness shall not be governed by this Section.

10. Reporting Requirements.

For so long as any Bonds are outstanding, the Institution will provide the following reports to the Trustee, the Underwriter, any initial holder of at least \$1,000,000, any other Bondholder upon request and MSRB through its Electronic Municipal Market Access (“EMMA”) System for municipal securities disclosures.

(a) within 45 days after the close of each fiscal quarter period ending on March 31, June 30 and September 30, unaudited quarterly statements of the Institution's operations, including a balance sheet, a statement of revenues and expenses for year-to-date operations and cash flow statements setting forth actual cash flow for year to date operations and comparing budgeted to actual operations; and including, for each report as of the end of a fiscal quarter, a calculation of compliance with the Debt Service Coverage Ratio and, for each semiannual report, a calculation of compliance with the Days’ Cash on Hand Ratio; and

(b) annual audited financial statements of the Institution for such Fiscal Year, including therein without limitation, a balance sheet as of the end of such Fiscal Year, a statement of changes in net assets and a statement of activities for such Fiscal Year or such other financial statements then required in accordance with generally accepted accounting principles applicable to the Institution, audited by a firm of independent public accountants of recognized standing as may be reasonably acceptable to the Authority, within 120 days of the close of each Fiscal Year, including (1) a statement of the balances on deposit in each fund held under the Indenture, (2) a calculation of compliance with the Debt Service Coverage Ratio and Minimum Cash on Hand Covenant, (3) the statement of such accountant that in the course of its audit, nothing has come to the accountant's attention to lead it to believe that any Event of Default has occurred and is continuing, or if that is not the case, specifying such Event of Default (a copy of which audit, together with an update of the Institution’s operating information from the Official Statement, including occupancy information, shall also be sent to EMMA; and

(c) annual capital and operating budgets for the Institution, prepared and delivered at least 5 days prior to the start of each such Fiscal Year, and amendments thereof within 30 days after board approval; and

(d) promptly upon receipt, a copy of any correspondence to or from the Internal Revenue Service related to the tax exempt status of the bonds or the Institutions’ status as a 501(c)(3) organization or any notice of audit from the Internal Revenue Service; and

(i) notice within three business days of the occurrence of any Notice Event, which notices shall be simultaneously given to EMMA. For the purposes of this subsection (i), the following events shall constitute “Notice Events”:

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 Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices and determinations with respect to the tax status of the securities or other material events affecting the tax status of the securities;
7. Modification to rights of the security holders, if material;
8. Bond calls, if material;

9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Bonds, if material;
11. Rating changes;
12. Tender Offers;
13. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;

Note to subsection (13) of this subsection (i): For the purposes of the event described in subsection (13) of this subsection (i), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person. For the purposes herein, “Obligated Person” means any person who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the Series 2012 Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities).

14. The consummation of a merger, consolidation or acquisition involving an Obligated Person, or the sale of all or substantially all of the assets of the Obligated Person, 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;
15. Appointment of a successor or additional trustee or the change of name of a trustee, if material; and

In the event of a permitted merger or consolidation in accordance with the provisions of Section 8 above, the reporting requirements set forth in this Section 10 shall apply to both the Institution as well as Sterling Home Care, Inc. (d/b/a Osborn Home Care) as well as any parent company or affiliates created pursuant to such merger or consolidation.

The Institution’s reporting obligations set forth in this Section 10 may be satisfied, at the option of the Institution, through the appointment of Digital Assurance Certification, L.L.C. (“DAC”), as Dissemination Agent (the “Disclosure Dissemination Agent”) for the benefit of the Bondholders.

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**SUMMARY OF CERTAIN PROVISIONS
OF THE RESOLUTION**

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SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The following is a summary of certain provisions of the Resolution and the Series 2012 Resolution pertaining to the Series 2012 Bonds and the Project. Such summary does not purport to be complete and reference is made to the Resolution and the Series 2012 Resolution for full and complete statements of each of their respective provisions.

Defined terms used in this Appendix shall have the meanings ascribed to them in Appendix A. Unless otherwise indicated, references to section numbers refer to sections in the Resolution or, where so specified, the Series 2012 Resolution.

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 Miriam Osborn Memorial Home Association 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 Owners of Bonds of such Series shall not be entitled to the rights and benefits conferred upon the Owners 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 such Series Resolution shall be deemed to be and shall constitute a contract among the Authority, the Trustee and the Owners from time to time of such Bonds of a 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 Owners of any and all of the Bonds of such Series, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any Bonds of such Series over any other Bonds of such Series except as expressly provided in the Resolution or permitted thereby or by a Series Resolution.

(Section 1.03)

Option of Authority to Assign Certain Rights and Remedies to the Trustee

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 hereunder, 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 the applicable Loan Agreement, the applicable Mortgage, if any, and any other applicable agreement entered into with the Authority securing the Institution's payment obligations under such Loan Agreement to the Trustee, together with all rights, powers, security interests, privileges, options and other benefits of the Authority under such Loan Agreement and such Mortgage, if any, including, without limitation, the immediate and continuing right to receive, enforce and collect (and to apply the same in accordance herewith) all Revenues, insurance proceeds, sales proceeds and other payments and other security now or hereafter payable to or receivable by the Authority under such Loan Agreement, such Mortgage, if any, and any other applicable agreement entered into with the Authority securing the Institution's payment obligations under such Loan Agreement to the Trustee, 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 such Loan Agreement, such Mortgage, if any, and any other applicable agreement entered into with the Authority securing the Institution's payment obligations under such Loan Agreement to the Trustee, subject to the following conditions: (a) that the Owners of the Bonds shall not be responsible or liable in any manner or to any extent for the performance of any of the covenants or provisions thereof to be performed by the Authority; (b) that, unless and until the Trustee, in its discretion exercised following an "Event of Default" under the applicable Loan Agreement or the applicable Mortgage, if any, that is continuing, so elects, by an instrument in writing delivered to the Authority and the Institution (and then only to the extent that the Trustee so elects), 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, such Mortgage, if any, and any other applicable agreement entered into with the Authority securing the Institution's payment obligations under such Loan Agreement to the Trustee 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), the Authority, however, to remain liable to observe and perform all the conditions and covenants, in such Loan Agreement and such Mortgage, if any, provided to be observed and performed by it; and (c) that any grant, pledge and assignment of money, revenues, accounts, rights or other property of the Institution made with respect to the applicable Loan Agreement and the applicable Mortgage, if any, pursuant to this Section shall secure, in the case of such Loan Agreement and such Mortgage, if any, only the payment of the amounts payable under such Loan Agreement.

Notwithstanding the foregoing, in the event the Institution fails to (i) timely make monthly Loan Agreement payments three times in any six month period, (ii) maintain a debt service coverage ratio (as such term may be defined in any applicable Loan Agreement) of 1.0x on two consecutive quarterly test dates, or (iii) maintain at least 75 days cash on hand (as such term may be defined in any applicable Loan Agreement) on any semi-annual test date, then upon the written request of the Owners of not less than twenty five per centum (25%) in principal amount of any Outstanding Series of Bonds to the Trustee, the Trustee shall request, and the Authority shall assign, the applicable Loan Agreement, the applicable Mortgage, if any, and any other applicable agreement entered into with the Authority securing the Institution's payment obligations under such Loan Agreement to the Trustee.

If either (A) the conditions or events described in the second paragraph of subsection (1) above shall not longer be in effect for a period of at least six (6) consecutive months, or (B) an Event of Default hereunder has been cured and is no longer continuing, the Trustee, if requested by the Authority, shall as soon as practicable, re-grant and re-assign to the Authority, and release from any pledge made by the Authority pursuant to this Section, all of the Authority's estate, right, title, interest and claim in, to and under a Loan Agreement, together with all rights, powers, security interests, privileges, options and other benefits of the Authority thereunder, theretofore granted, pledged or assigned to the Trustee pursuant to this Section. The Trustee shall execute such instruments as the Authority may reasonably require to effect or evidence such re-grant, re-assignment or release.

(Section 1.04)

Additional Obligations; Parity Indebtedness

The Authority reserves the right to issue bonds, notes or any other obligations or otherwise incur indebtedness pursuant to other and separate resolutions or agreements of the Authority, so long as such bonds, notes or other obligations are not, or such other indebtedness is not, except as provided in the Resolution with respect to Parity Indebtedness or in any Loan Agreement with respect to Parity Indebtedness, entitled to a charge, lien created by the Resolution or prior or equal to the rights of the Authority and Owners of Bonds provided in the Resolution or with respect to the moneys pledged under the Resolution.

(Section 2.05)

Authorization of Redemption

Bonds of a Series subject to redemption prior to maturity pursuant the Resolution or to a Series Resolution or a Bond Series Certificate shall be redeemable, in accordance with the Resolution, at such times, at such Redemption Prices and upon such terms as may otherwise be specified in the Resolution or in the Series Resolution authorizing such Series or in the applicable Bond Series Certificate.

(Section 4.01)

Redemption at the Election or Direction of the Authority

In the case of any redemption of Bonds of a Series other than as provided under the caption "*Redemption Other Than at Authority's Election or Direction*" in the Resolution, the Authority shall give written notice to the Trustee and each applicable Provider of its election or direction to redeem, of the Series and of the principal amounts of the Bonds of each maturity of such Series to be redeemed. The Series, maturities and principal amounts thereof to be redeemed at the election or direction of the Authority shall be determined by the Authority in its sole discretion, subject to any limitations with respect thereto contained in the Resolution or in the Series Resolution authorizing such Series or the applicable Bond Series Certificate. Such notice shall be given to the Trustee and each applicable Provider at least forty-five (45) days prior to the date on which such Bonds are to be redeemed, or such fewer number of days as shall be acceptable to the Trustee. Unless the notice of redemption required by the

Resolution provides that the redemption is subject to the condition that money for payment of the Redemption Price is available on the redemption date, such notice shall not be given with respect to Bonds to be redeemed unless prior to the date such notice is given, the Authority shall have paid or caused to be paid to the Trustee an amount which, in addition to other amounts available therefor held by the Trustee, is sufficient to redeem, on the redemption dates at the Redemption Price thereof, together with interest accrued and unpaid thereon to the redemption date, all of the Bonds of such Series to be so redeemed.

(Section 4.02)

Redemption Other Than at Authority's Election or Direction

Whenever by the terms hereof or in the Series Resolution authorizing such Series or in the applicable Bond Series Certificate, the Trustee is required or authorized to redeem Bonds of a Series through the application of mandatory Sinking Fund Installments, the Trustee shall select the Bonds of such Series and maturities to be redeemed in the manner provided in the Resolution, give the notice of redemption and pay out of money available therefor the Redemption Price thereof, together with interest accrued and unpaid thereon to the redemption date, to the appropriate Paying Agents in accordance with the terms of the Resolution.

(Section 4.03)

Selection of Bonds to Be Redeemed

Unless otherwise provided in the Series Resolution authorizing the issuance of Bonds of a Series or the Bond Series Certificate relating to such Bonds, in the event of redemption of less than all of the Outstanding Bonds of like Series, maturity and tenor, the Trustee shall assign to each Outstanding Bond of the Series, maturity and tenor to be redeemed a distinctive number for each unit of the principal amount of such Bond equal to the lowest denomination in which the Bonds of such Series are authorized to be issued and shall select by lot, using such method of selection as it shall deem proper in its discretion, from the numbers assigned to such Bonds as many numbers as, at such unit amount equal to the lowest denomination in which the Bonds of such Series are authorized to be issued for each number, shall equal the principal amount of such Bonds to be redeemed. In making such selections the Trustee may draw such Bonds by lot (i) individually or (ii) by one or more groups, the grouping for the purpose of such drawing to be by serial numbers (or, in the case of Bonds of a denomination of more than the lowest denomination in which the Bonds of such Series are authorized to be issued, by the numbers assigned thereto as in provided in the Resolution) which end in the same digit or in the same two digits. If in such a case, upon any drawing by groups, the total principal amount of Bonds drawn shall exceed the amount to be redeemed, the excess may be deducted from any group or groups so drawn in such manner as the Trustee may determine. The Trustee may in its discretion assign numbers to aliquot portions of Bonds and select part of any Bond for redemption. The Bonds to be redeemed shall be the Bonds to which were assigned numbers so selected; provided, however, that only so much of the principal amount of each such Bond of a denomination of more than the lowest denomination in which the Bonds of such Series are authorized to be issued shall be redeemed as shall equal the lowest denomination in which the Bonds of such Series are authorized to be issued for each number assigned to it and so selected.

For purposes of the preceding paragraph, the lowest denomination in which a Capital Appreciation Bond is authorized to be issued shall be the lowest Accreted Value authorized to be due at maturity on such Bonds and the lowest denomination in which a Deferred Income Bond is authorized to be issued shall be the lowest Appreciated Value on the Interest Commencement Date authorized for such Bonds.

(Section 4.04)

Notice of Redemption

Whenever Bonds of a Series are to be redeemed, the Trustee shall give notice of the redemption of such Bonds in the name of the Authority which notice shall specify: (i) the Bonds to be redeemed and the date said Bonds were issued, the maturity dates and interest rates of the Bonds to be redeemed; (ii) the numbers and other distinguishing marks of the Bonds to be redeemed, including CUSIP numbers; (iii) the redemption date; (iv) the Redemption Price; (v) the principal amount of each Bond to be redeemed; (vi) the date of publication, if any, of the notice of redemption; (vii) that, except in the case of Book-Entry Bonds, such Bonds will be redeemed at the principal corporate trust office of the Trustee giving the address thereof and the name and telephone number of a

representative of the Trustee to whom inquiries may be directed; (viii) that no representation is made as to the correctness of the CUSIP number either as printed on the Bonds or as contained in such notice and that an error in a CUSIP number as printed on such Bond or as contained in such notice shall not affect the validity of the proceedings for redemption; and (ix) if the Authority's obligation to redeem the Bonds is subject to one or more conditions, a statement that describes the conditions to such redemption. Any notice of redemption, other than a notice for special or extraordinary redemption provided for in a Series Resolution or Bond Series Certificate, may state that the redemption is conditioned upon receipt by the Trustee, on or prior to the redemption date, of moneys sufficient to pay the Redemption Price of the Bonds to be redeemed, and that if such moneys are not received such notice shall be of no force or effect and such Bonds shall not be required to be redeemed.

Such notice shall further state that on such date there shall become due and payable upon each Bond of a Series to be redeemed the Redemption Price thereof, together with interest accrued and unpaid thereon to the redemption date, and that, from and after such date, payment having been made or provided for, interest thereon shall cease to accrue. Such notice shall be given by mailing a copy of such notice not less than thirty (30) days nor more than forty-five (45) days prior to the redemption date or, in the case of Variable Interest Rate Bonds or Option Bonds, such shorter period as shall be established by the Series Resolution authorizing such Bonds or the Bond Series Certificate relating thereto, but in no event less than fifteen (15) days prior to the redemption date. Such notice shall be sent by first class mail, postage prepaid, to the registered owners of the Bonds which are to be redeemed, at their last known addresses, if any, appearing on the registration books not more than ten (10) Business Days prior to the date such notice is given. Upon giving such notice, the Trustee shall promptly certify to the Authority that it has mailed or caused to be mailed such notice to the Owners of the Bonds to be redeemed in the manner provided herein. Such certificate shall be conclusive evidence that such notice was given in the manner required hereby. The failure of any Owner of a Bond of a Series to be redeemed to receive such notice shall not affect the validity of the proceedings for the redemption of the Bonds. If directed in writing by an Authorized Officer of the Authority, the Trustee shall also give such notice by publication thereof once in an Authorized Newspaper, such publication to be not less than thirty (30) days nor more than forty-five (45) days prior to the redemption date or, in the case of Variable Interest Rate Bonds or Option Bonds, such shorter period as shall be established by the Series Resolution authorizing such Bonds or the Bond Series Certificate relating thereto, but in no event less than fifteen (15) days prior to the redemption date; provided, however, that such publication shall not be a condition precedent to such redemption, and failure to so publish any such notice or a defect in such notice or in the publication thereof shall not affect the validity of the proceedings for the redemption of the Bonds.

Purchase of Bonds at the Election of the Institution

Whenever Bonds are to be purchased at the election of the Institution, written notice thereof and of the Bonds of the Series and maturity to be so purchased having been given by the Institution to the Authority, the Trustee, and each applicable Provider, the Trustee shall select the particular Bonds of such Series and maturity to be so purchased in the same manner as provided in the Resolution for the selection of Bonds to be redeemed in part. Promptly thereafter the Trustee shall give notice of the purchase of the Bonds at the times and in the manner provided in the Series Resolution authorizing such Bonds or the Bond Series Certificate related thereto. The Trustee shall not give such notice unless prior to the date such notice is given, the Institution has caused to be delivered to the Trustee the written consent of the Authority and each applicable Provider to such purchase. All such purchases may be subject to conditions to the Institution's obligation to purchase such Bonds and shall be subject to the condition that money for the payment of the purchase price therefor is available on the date set for such purchase. Notice of purchase having been given in the manner required by the Series Resolution authorizing the Bonds to be so purchased or the Bond Series Certificate relating thereto, then, if sufficient money to pay the purchase price of such Bonds is held by the Trustee, the purchase price of the Bonds or portions thereof so called for purchase shall become due and payable on the date set for purchase, upon presentation and surrender of such Bonds (other than Book Entry Bonds) to be purchased at the office or offices specified in such notice, and, in the case of Bonds presented by other than the registered owner, together with a written instrument of transfer duly executed by the registered owner or his duly authorized attorney. Payment of the purchase price of other than Book Entry Bonds shall be made, upon the request of the registered owner of one million dollars (\$1,000,000) or more in principal amount of Bonds to be so purchased, by wire transfer to such registered owner at the wire transfer address in the continental United States to which such registered owner has prior to the purchase date directed in writing the Trustee to wire such purchase price. Bonds so purchased shall be considered to be Outstanding and each such Bond so purchased that is not a Book Entry Bond shall be registered in the name or at the direction of the Institution.

(Section 4.07)

Pledge of Revenues

The proceeds from the sale of a Series of Bonds, the applicable Revenues, the Authority's security interest in the applicable Gross Receipts and, except as otherwise provided in the Resolution, all funds and accounts established thereby, other than the Arbitrage Rebate Fund and any fund established for the repayment of funds drawn under a Credit Facility or Liquidity Facility, are, subject to the adoption 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; all in accordance with the provisions of the Resolution and such Series Resolution. The pledge made by the Resolution shall relate only to the Bonds of a Series authorized by such Series Resolution and no other Series of Bonds and such pledge shall not secure any such other Series of Bonds; provided, however, that with respect to the pledge of the Authority's security interest in the Gross Receipts, such pledge may secure Parity Indebtedness. The pledge made by the Resolution is valid, binding and perfected from the time when the pledge attaches and the proceeds from the sale of a Series of Bonds, the applicable Revenues, the Authority's security interest in the Gross Receipts, and all funds and accounts established by the Resolution and by the applicable Series Resolution which are pledged thereby shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid, binding and perfected as against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of whether such parties have notice thereof. No instrument by which such pledge is created nor any financing statement need be recorded or filed. The Bonds of each Series 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 Gross Receipts and the funds and accounts established by the Resolution and pursuant to the applicable Series Resolution, which are pledged thereby as provided in the Resolution and which pledge shall constitute a first lien thereon, subject, with respect to the Authority's security interest in the Gross Receipts, only to the Prior Pledges, if any, and any existing or future liens securing Parity Indebtedness.

(Section 5.01)

Establishment of Funds and Accounts

In addition to such funds as may be provided by a Series Resolution or the related Bond Series Certificate, 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 established and maintained pursuant to any other Series Resolution:

- (1) Construction Fund;
- (2) Debt Service Fund;
- (3) Arbitrage Rebate Fund; and
- (4) Debt Service Reserve Fund.

Accounts and sub-accounts within each of the foregoing funds may from time to time be established in accordance with a Series Resolution, the related Bond Series Certificate or upon the direction of the Authority. All money at any time deposited in any fund, account or subaccount created and pledged by the Resolution or by the applicable Series Resolution or related Bond Series Certificate, other than the Arbitrage Rebate Fund, including amounts derived from any Reserve Fund Facility related thereto, shall be held in trust for the benefit of the Owners of Bonds of such Series, but shall nevertheless be disbursed, allocated and applied solely for the uses and purposes provided therein, unless otherwise provided in the applicable Series Resolution or related Bond Series Certificate; provided, however, that the proceeds derived from the remarketing of Option Bonds tendered or deemed to have been tendered for purchase in accordance with the Series Resolution authorizing the issuance of such Bonds or the Bond Series Certificate relating to such Bonds or derived from a Liquidity Facility relating to such Bonds, and any fund or account established by or pursuant to such Series Resolution for the payment of the purchase price of Option Bonds so tendered or deemed to have been tendered, shall not be held in trust for the benefit of the Owners of Bonds other than such Option Bonds and are pledged thereby for the payment of the purchase price of such Option Bonds.

(Section 5.02)

Application of Bond Proceeds and Allocation Thereof

Upon the receipt of proceeds from the sale of a Series of Bonds, the Authority shall apply such proceeds as specified in the Resolution and in the Series Resolution authorizing such Series of Bonds or in the related Bond Series Certificate.

Accrued interest, if any, received upon the delivery of a Series of Bonds shall be deposited in the Debt Service Fund unless all or any portion of such amount is to be otherwise applied as specified in the Series Resolution authorizing such Series of Bonds or the related Bond Series Certificate.

(Section 5.03)

Application of Money in the Construction Fund

As soon as practicable after the delivery of a Series of Bonds, the Trustee shall deposit in the Construction Fund the amount required to be deposited therein pursuant to the Series Resolution authorizing such Series of Bonds or in the related Bond Series Certificate. In addition, the Authority shall pay over to the Trustee and the Trustee shall deposit in the Construction Fund any money paid to the Authority pursuant to the Resolution and all amounts paid by the Institution which by the terms of the Loan Agreement are required to be deposited therein.

Except as otherwise provided in Article V of the Resolution and in any applicable Series Resolution or related Bond Series Certificate, money deposited in the Construction Fund shall be used only to pay the Costs of Issuance and the Costs of the Project with respect to the Bonds of such Series.

Payments for Costs of Issuance shall be made by the Trustee upon receipt of, and in accordance with, a certificate or certificates signed by an Authorized Officer of the Authority stating the names of the payees, the purpose of each payment in terms sufficient for identification, and the respective amounts of each such payment. Payments for Costs of any Project shall be made by the Trustee upon receipt of, and in accordance with, a certificate or certificates signed by an Authorized Officer of the Authority, substantiated by a certificate filed with the Authority in accordance with a Loan Agreement naming the Project in connection with which payment is to be made and describing in reasonable detail the purpose for which money was used and the amount thereof, and further stating that such purpose constitutes a necessary part of the Costs of the Project. except that payments to pay interest on Bonds of a Series 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 Construction Fund to the Debt Service Fund.

Any proceeds of insurance, condemnation or eminent domain awards received by the Trustee, the Authority or the Institution with respect to a Project shall be deposited in the Construction Fund and, if necessary, such fund may be re-established for such purpose and if not used to repair, restore or replace such Project or such Mortgaged Property, transferred to the Debt Service Fund for the redemption of Bonds of a Series in accordance with the Loan Agreement; provided, however, that to the extent that any such proceeds of insurance, condemnation or eminent domain awards relate to Mortgaged Property that was either (i) never financed with proceeds of Tax-Exempt Bonds, or (ii) financed with proceeds of Tax-Exempt Bonds that are no longer Outstanding, the provisions of this paragraph shall not apply.

A Project shall be deemed to be complete upon delivery to the Authority and the Trustee of a certificate signed by an Authorized Officer of the Institution, that the following conditions have been satisfied with respect to such Project: (a) if required by any governmental authority in connection with a Project, a temporary certificate of occupancy with respect to such Project shall have been issued (or a final certificate of occupancy, if that is issued first) by the appropriate governmental authorities; (b) an Authorized Officer of the Institution shall have certified that a punch list, of items for final physical completion excluding items to be funded from moneys not on deposit in the Construction Account, has been agreed to by the Institution and that funds sufficient for completion of such punch list items are on deposit in the Construction Account; and (c) any applicable licensing entity of the State has completed its inspections with respect to such Project and has issued the appropriate operating certificate, license or other approval as may be required with respect to such Project.

Upon receipt by the Trustee of each of the certificates relating to the completion of a Project, the moneys, if any, then remaining in the Construction Fund relating to such Project, after making provision in accordance with the

direction of an Authorized Officer of the Authority for the payment of any Costs of Issuance and Costs of such Project then unpaid, shall be paid or applied by the Trustee as follows and in the following order of priority:

First: Upon the direction of an Authorized Officer of the Authority, to the Arbitrage Rebate Fund, the amount set forth in such direction;

Second: To the Debt Service Reserve Fund, if any, such amount as shall be necessary to make the amount on deposit in such fund equal to the applicable Debt Service Reserve Fund Requirement; and

Third: To the Debt Service Fund, for the redemption or purchase of Bonds or as otherwise required or permitted by the Resolution, any balance remaining.

(Section 5.04)

Deposit and Allocation of Revenues

The Revenues, Gross Receipts and any other money, which, by any of the provisions of the Resolution and a Loan Agreement, are required to be paid to the Trustee, shall upon receipt thereof be deposited or paid by the Trustee as follows and in the following order of priority:

First: To the Debt Service Fund (i) in the case of Revenues received during the period from the beginning of each Bond Year until December 31 thereof, the amount, if any, necessary to make the amount in the Debt Service Fund equal to (a) the interest on Outstanding Bonds of a Series payable on or prior to the next succeeding January 1, including the interest estimated by the Authority to be payable on any Variable Interest Rate Bond of a Series on and prior to the next succeeding January 1, assuming that such Variable Interest Rate Bond will bear interest, from and after the next date on which the rate at which such Variable Interest Rate Bond bears interest is to be adjusted, at a rate per annum equal to the rate per annum at which such Bonds then bear interest, plus one percent (1%) per annum, and (b) one half ($\frac{1}{2}$) of the principal of or Sinking Fund Installments of Outstanding Bonds of a Series payable on or prior to the next succeeding July 1; and (ii) in the case of Revenues received thereafter and until the end of such Bond Year, the amount, if any, necessary to make the amount in the Debt Service Fund equal to (a) the interest becoming due on Outstanding Bonds of a Series payable on or prior to the next succeeding July 1, including the interest estimated by the Authority to be payable on any Variable Interest Rate Bond of a Series on and prior to the next succeeding July 1, assuming that such Variable Interest Rate Bond will bear interest, from and after the next date on which the rate at which such Variable Interest Rate Bond bears interest is to be adjusted, at a rate per annum equal to the rate per annum at which such Bonds then bear interest, plus one percent (1%) per annum; and (b) one half ($\frac{1}{2}$) of the principal of or Sinking Fund Installment of Outstanding Bonds of a Series payable on or prior to the next succeeding July 1;

Second: To reimburse, pro rata, each Provider for Provider Payments which are then unpaid, in proportion to the respective Provider Payments then unpaid to each Provider to replenish each Debt Service Reserve Fund to its respective Debt Service Reserve Fund Requirement, pro rata, in proportion to the amount the respective Provider Payments then unpaid to each Facility Provider and the amount of the deficiency in each Debt Service Reserve Fund bears to the aggregate amount of Provider Payments then unpaid and deficiencies in the respective Debt Service Reserve Funds;

Third: To the Debt Service Reserve Fund, the amount, if any, necessary to make the amount on deposit therein equal to the Debt Service Reserve Fund Requirement;

Fourth: Upon the direction of an Authorized Officer of the Authority, to the Arbitrage Rebate Fund the amount set forth in such direction; and

Fifth: To the Authority, unless otherwise paid, such amounts as are payable to the Authority relating to such Series for: (i) any expenditures of the Authority for fees and expenses of auditing, and fees and expenses of the Trustee and Paying Agents, all as required by the Resolution, (ii) all other expenditures reasonably and necessarily incurred by the Authority in connection with the financing of a Project, including expenses incurred by the Authority to compel full and punctual performance of all the provisions of the applicable Loan Agreement or any applicable Mortgage in accordance with the terms thereof, (iii)

any fees of the Authority; but only upon receipt by the Trustee of a certificate signed by an Authorized Officer of the Authority, stating in reasonable detail the amounts payable to the Authority pursuant to this paragraph and (iv) any transfers or deposits made by the Authority to the Arbitrage Rebate Fund in connection with any amounts required by the Code to be rebated to the Department of the Treasury of the United States of America; but only upon receipt by the Trustee of a certificate signed by the Authority, stating in reasonable detail the amounts payable to the Authority pursuant to this paragraph.

The Trustee shall, promptly after making the above required payments, notify the Authority and the Institution of any balance of Revenues remaining on the immediately succeeding July 1. After making the above required payments, the balance, if any, of the Revenues then remaining shall, upon and in accordance with the direction of an Authorized Officer of the Authority, be transferred by the Trustee to the Construction Fund or the Debt Service Fund, or paid to the Institution, in the respective amounts set forth in such direction. Any amounts paid to the Institution shall be free and clear of any pledge, lien, encumbrance or security interest created by the Resolution or by the applicable Loan Agreement.

Notwithstanding anything to the contrary set forth in the first paragraph under this caption, the Authority may, at any time subsequent to the first day of July of any Bond Year but in no event less than forty-five (45) days prior to the succeeding first day of July on which a Sinking Fund Installment is scheduled to be due, direct the Trustee to purchase, with money 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 to be redeemed from such Sinking Fund Installment. Any Term Bond so purchased and any Term Bond purchased by the Institution and delivered to the Trustee in accordance with the applicable Loan Agreement shall be canceled upon receipt thereof by the Trustee and evidence of such cancellation shall be given to the Authority. The principal amount of each Term Bond so canceled shall be credited against the Sinking Fund Installment due on such first day of July; provided, however, that such Term Bond is canceled by the Trustee prior to the date on which notice of redemption is published.

(Section 5.06)

Debt Service Fund

The Trustee shall, on or before the Business Day preceding each interest payment date, pay to itself and any other Paying Agent out of the Debt Service Fund:

- (i) the interest due and payable on all Outstanding Bonds of a Series on such interest payment date;
- (ii) the principal amount due and payable on all Outstanding Bonds of a Series on such interest payment date;
- (iii) the Sinking Fund Installments, if any, due and payable on such interest payment date on Outstanding Bonds of a Series and
- (iv) moneys required for any other redemption of Bonds of a Series permitted in accordance with the Resolution.

The amounts paid out pursuant to the above provisions shall be irrevocably pledged to and applied to such payments.

In the event that on the fourth Business Day preceding any interest payment date the amount in the applicable Debt Service Fund shall be less than the amounts, respectively, required for payment of interest on any Series of Outstanding Bonds, for the payment of principal of any Series of Outstanding Bonds, for the payment of Sinking Fund Installments of any Series of Outstanding Bonds due and payable on such interest payment date or for the payment of the purchase price or Redemption Price of any Series of 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 withdraw from the applicable Debt Service Reserve Fund, and, in the following order of priority, deposit to the applicable account of the Debt Service Fund such amounts as will increase the amount in such account

of the Debt Service Fund to an amount sufficient to make payment of interest on, and principal and Sinking Fund Installments of, the applicable Series of Outstanding Bonds and to make payment of the purchase price or Redemption Price of such applicable Series of Outstanding Bonds.

(Section 5.07)

Debt Service Reserve Fund

The Debt Service Reserve Fund, if any, established for a Series of Bonds pursuant to a Series Resolution shall be maintained in accordance with the terms of such Series Resolution.

In the event that moneys in the Debt Service Fund shall be insufficient to pay the interest, principal and Sinking Fund Installments at the times and in the amounts required by the Resolution, moneys held for the credit of the Debt Service Reserve Fund shall be withdrawn by the Trustee and applied the credit of the Debt Service Reserve Fund for such payment.

If, upon a valuation, the value of all moneys, Government Obligations and Exempt Obligations held for the credit of a Debt Service Reserve Fund is less than its Debt Service Reserve Fund Requirement, the Trustee shall immediately notify the Authority, the Institution of such deficiency. The Institution shall, as soon as practicable, but in no event later than five (5) days after receipt of such notice, deliver to the Trustee moneys, Government Obligations or Exempt Obligations the value of which is sufficient to increase the amount in such Debt Service Reserve Fund to its Debt Service Reserve Fund Requirement.

(Section 5.08)

Arbitrage Rebate Fund

The Trustee shall, with respect to each Series of Tax-Exempt Bonds, deposit to the Arbitrage Rebate Fund any moneys delivered to it by the Institution for deposit therein and, notwithstanding any other provisions of Article V of the Resolution, shall transfer to the Arbitrage Rebate Fund, in accordance with the directions of an Authorized Officer of the Authority, money on deposit in any other funds held by the Trustee under the Resolution at such times and in such amounts as shall be set forth in such directions.

Money on deposit in the Arbitrage Rebate Fund shall be applied by the Trustee in accordance with the direction of an Authorized Officer 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. Money which an Authorized Officer of the Authority determines to be in excess of the amount required to be so rebated shall, first be applied to reimburse, pro rata, each Provider for money advanced under a Credit Facility or a Liquidity Facility, including interest thereon, which is then unpaid, in proportion to the respective amounts advanced by each such Provider, and then, be deposited to any fund or account established under the Resolution in accordance with the written direction of such Authorized Officer.

The Authority shall periodically determine the amount which may be required by the Code to be rebated to the Department of the Treasury of the United States of America with respect to each Series of Tax-Exempt Bonds and direct the Trustee to (i) transfer from any other of the funds and accounts held by the Trustee under the Resolution and deposit to the Arbitrage Rebate Fund such amount as the Authority shall have determined to be necessary in order to enable it to comply with its obligation to rebate money to the Department of the Treasury of the United States of America with respect to such Series of Tax-Exempt Bonds and (ii) pay out of the Arbitrage Rebate Fund to the Department of the Treasury of the United States of America the amount, if any, required by the Code to be rebated thereto.

(Section 5.11)

Application of Moneys in Certain Funds for Retirement of Bonds

Notwithstanding any other provisions of the Resolution, if at any time the amounts held in the Debt Service Fund and Debt Service Reserve Fund, if applicable, are sufficient to pay the principal or Redemption Price of all Outstanding Bonds of a Series and the interest accrued and unpaid and to accrue on such Bonds to the next date of redemption when all such Bonds are redeemable or to make provision pursuant to defeasance provisions of the Resolution for the payment of the Outstanding Bonds of such Series at the maturity or redemption dates thereof, the Trustee shall so notify the Authority and the Institution. Upon receipt of such notice, the Authority may (i) direct the Trustee to redeem all such Outstanding Bonds of a Series, whereupon the Trustee shall proceed to redeem or provide for the redemption of such Outstanding Bonds in the manner provided for redemption of such Bonds by the Resolution and the applicable Series Resolution or related Bond Series Certificate, or (ii) give the Trustee irrevocable instructions in accordance with the defeasance provisions of the Resolution and make provision for the payment of such Outstanding Bonds at the maturity or redemption dates thereof in accordance therewith.

(Section 5.12)

Computation of Assets of Debt Service Reserve Fund

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 the Institution, 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 Article V of the Resolution, shall compute the value of the assets in the Debt Service Reserve Fund, if any, 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 the Institution 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.

(Section 5.14)

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 Owners of the 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 money 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 money with them pursuant to the sections entitled "*Debt Service Fund*" or "*Defeasance*" of 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 money which shall be represented by obligations purchased or other investments made under the provisions of the Resolution as an investment of such money.

(Section 6.01)

Investment of Funds and Accounts

Moneys held under the Resolution by the Trustee, if permitted by law, shall, as nearly as may be practicable, be invested by the Trustee, upon direction of the Authority given or confirmed in writing, signed by an Authorized Officer of the Authority (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 of the Resolution.

In lieu of the investments of money in obligations authorized in the above paragraph, the Trustee shall, to the extent permitted by law, upon direction of the Authority given or confirmed in writing, signed by an Authorized Officer of the Authority, invest money in the Construction Fund 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 of the Resolution; provided, however, that each such investment shall permit the moneys so deposited or invested to be available for use at the times at which the Authority reasonably believes such moneys will be required for the purposes hereof; and provided, further, that (x) 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, (y) Permitted Collateral held by the Trustee and 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, and (z) the Permitted Collateral shall be free and clear of claims of any other person.

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 to, as the case may be, such fund or account.

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 any Debt Service Reserve Fund shall be valued at the market value thereof, plus accrued interest.

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 thereto and the proceeds thereof may be reinvested as provided in the Resolution. Except as otherwise provided in the Resolution, the Trustee shall sell at the best price obtainable, or present for redemption or exchange, any investment held by it pursuant to the Resolution whenever it shall be necessary in order to provide 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 Institution in writing, on or before the fifteenth (15th) day of each calendar month, of the amounts required to be on deposit in each fund and account under the Resolution and of the details of all investments held for the credit of each fund and account in its custody under the provisions thereof as of the end of the preceding month and as to whether such investments comply with the provisions contained in the first three paragraphs under this caption. 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.

No part of the proceeds of a Series of Bonds or any other funds of the Authority shall be used directly or indirectly to acquire any securities or investments the acquisition of which would cause any Bond of a Series to be an "arbitrage bond" within the meaning of Section 148(a) of the Code.

(Section 6.02)

Powers as to Bonds and Pledge

The Authority is duly authorized under the Act and all applicable laws to create and issue the Bonds of each Series, to adopt the Resolution and each applicable Series Resolution and to pledge and assign the proceeds from the sale of a Series of Bonds, the applicable Revenues, the Authority's security interest in the Gross Receipts, and all funds and accounts established by the Resolution and pursuant to any Series Resolution which are or may be pledged thereby, in the manner and to the extent provided therein. The Authority further covenants that the proceeds from the sale of each Series of Bonds, the applicable Revenues, the Authority's security interest in the Gross Receipts, and all funds and accounts established by the Resolution and by any Series Resolution that are or may be pledged thereby are and shall be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto, prior to, or of equal rank with, the pledge created by the Resolution and pursuant to the applicable Series Resolution, other than (i) any pledge, lien, charge or encumbrance upon the Revenues created by the Authority to secure its obligation to a Provider which has provided a Credit Facility or Liquidity Facility, which may be of equal priority and rank with the charge and lien thereon created by the Resolution and thereby and (ii) with

respect to the Authority's security interest in the Gross Receipts, the Prior Pledges and any existing or future liens to secure Parity Indebtedness. The Authority further covenants that all corporate action on the part of the Authority to that end has been duly and validly taken. The Authority further covenants that each Series of Bonds and the provisions of the Resolution and of each Series Resolution are and shall be the valid and legally enforceable obligations of the Authority in accordance with their terms and the terms of the Resolution and of each Series Resolution. The Authority further covenants that it shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the proceeds from the sale of each Series of Bonds, the applicable Revenues, the Authority's security interest in the Gross Receipts and all funds and accounts established by the Resolution and by the applicable Series Resolution that are pledged by the Resolution and by such Series Resolution and all of the rights of the Owners of Bonds of any Series under the Resolution and each Series Resolution against all claims and demands of all persons whomsoever.

(Section 7.03)

Creation of Liens

Except as permitted by the Resolution, or by a Series Resolution, the Authority shall not create, cause to be created or suffer or permit the creation of any lien or charge prior or equal to that of the Bonds of such Series on the proceeds from the sale of such Bonds, the applicable Revenues, the Authority's security interest in the Gross Receipts, the rights of the Authority to receive payments to be made under the applicable Loan Agreement that are to be deposited with the Trustee or the funds and accounts established by the Resolution or by such Series Resolution that are pledged thereby other than, with respect to the Gross Receipts, any Prior Pledges and any existing or future liens to secure Parity Indebtedness; provided, however, that nothing contained in the Resolution shall prevent the Authority from (i) issuing bonds, notes or other obligations or otherwise incurred indebtedness under another and separate resolution so long as the charge or lien created by such resolution is not prior to the charge or lien created thereby and by a Series Resolution and (ii) incurring obligations with respect to a Credit Facility or Liquidity Facility which are secured by a lien upon and pledge of the applicable Revenues of equal priority with the lien created and the pledge made by the Resolution and by the applicable Series Resolution.

(Section 7.06)

Amendment of Loan Agreement

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 in any material respect the interest of the Owners of Outstanding Bonds of the applicable Series to which such Loan Agreement relates without the prior written consent by the Owners of at least a majority in aggregate principal amount of the Bonds of such Series then Outstanding; *provided, however*, 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 Owners 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 Institution under such Loan Agreement that is to be deposited with the Trustee or extend the time of payment thereof. Except as otherwise provided in this section of the Resolution, a Loan Agreement may be amended, changed, modified or altered without the consent of the Owners of Outstanding Bonds or the Trustee. Specifically, a Loan Agreement may be amended, changed, modified or altered, and any provision thereof may be waived, with the consent of the Trustee, but without the consent of the Owners of Outstanding Bonds (i) to make necessary changes in connection with the acquisition, construction, reconstruction, rehabilitation, renovation and improvement, or otherwise providing furnishing and equipping of any facilities constituting a part of any Project or which may be added to a Project or the issuance of Bonds, and (ii) to cure any ambiguity, or to correct or supplement any provisions contained in such Loan Agreement which may be defective or inconsistent with any other provisions contained herein or in the Loan Agreement. Upon any execution by the Authority of any amendment, a copy thereof certified by an Authorized Officer of the Authority shall be filed with the Trustee.

For the purposes of the provisions described under this caption, the purchasers of Bonds of a Series, whether purchasing as underwriters, Remarketing Agent or otherwise for resale, may upon such purchase consent to an amendment, change, modification, alteration, termination or waiver permitted by the provisions described under this caption 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 Owner of such Bonds; *provided, however*, that, if such consent is given by a purchaser who is purchasing as an underwriter or Remarketing Agent or for resale, the nature of the amendment, change, modification, alteration, termination or waiver and the provisions for the purchaser consenting thereto shall be described in the official statement, prospectus, offering or remarketing memorandum or other offering document prepared in connection with the initial offering, reoffering or resale of the Bonds of such Series.

For the purposes of the provisions described under this caption, a Series shall be deemed to be adversely affected by an amendment, change, modification, alteration or termination of the Loan Agreement, or the waiver of any provision thereof, if the same adversely affects or diminishes the rights of the Owners of the Bonds of such Series in any material respect. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, Bonds of any particular Series would be adversely affected in any material respect by any amendment, change, modification, alteration, termination or waiver and any such determination shall be binding and conclusive on the Institution, the Authority and all Owners of Bonds of such Series.

For all purposes of this provisions described under this caption, 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, alteration, termination or waiver adversely affects the interests of any Owners of Bonds of a Series then Outstanding in any material respect.

(Section 7.10)

Modification and Amendment Without Consent

Notwithstanding any other provisions of the Resolution, the Authority may adopt at any time or from time to time Supplemental Resolutions 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 a 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;

(b) to prescribe further limitations and restrictions upon the issuance of Bonds of a Series 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 therein;

(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 a Series Resolution, the Revenues, or any pledge of any other money, securities or funds;

(e) to cure any ambiguity or defect or inconsistent provision in the Resolution or to insert such provisions clarifying matters or questions arising thereunder as are necessary or desirable, provided that any such modifications are not contrary to or inconsistent therewith as theretofore in effect;

(f) 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 Outstanding Bonds of any Series as of the date of adoption of such Supplemental Resolution or Series Resolution shall cease to be Outstanding, and all Bonds issued under such resolutions shall contain a specific reference to the modifications contained in such subsequent Resolutions; or

(g) to modify or amend a Project in the applicable Series Resolution.

(Section 9.02)

Supplemental Resolutions Effective With Consent of Bondowners

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 Bondowners of the applicable Series 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. The Trustee shall transmit a copy of such Supplemental Resolution to the Institution upon its becoming effective.

(Section 9.03)

Powers of Amendment

Any modification or amendment of the Resolution and of the rights and obligations of the Authority and of the Owners of the Bonds thereunder or of any Series Resolution, in any particular, may be made by a Supplemental Resolution, with the written consent given as provided in the section of the Resolution entitled "*Consent of Bondowners*" (i) of the Owners of at least a majority in principal amount of the Bonds of a Series Outstanding at the time such consent is given, (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Owners of at least a majority in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given, or (iii) in case modification or amendment changes the amount or date of any Sinking Fund Installment, of the Owners of at least a majority in principal amount of the Bonds of the particular Series, maturity and interest rate entitled to such Sinking Fund Installment, Outstanding at the time such consent is given. If any such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like maturity and Series remain Outstanding, the consent of the Owners 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 Section. 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 Owner of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Owners of which is required to effect any such modification or amendment. For the purposes of 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 Owners of Bonds of such Series in any material respect. 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 Owners of 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 any particular Series or maturity would be so affected by any such modification or amendment of the Resolution. The Trustee shall transmit a copy of such Supplemental Resolution to the Institution upon its becoming effective.

(Section 10.01)

Consent of Bondowners

The Authority may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions of the Resolution to take effect when and as provided under this caption. 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 Bondowners of a Series of Bonds affected thereby for their consent thereto in form satisfactory to the Trustee, shall promptly, after adoption, be mailed by the Authority to such Bondowners (but failure to mail such copy and request to any particular Bondowner shall not affect the validity of the Supplemental Resolution when consented to as provided in the Resolution). Such Supplemental Resolution shall not be effective unless and until (i) there shall have been filed with the Trustee (a) the written consent of the Owners of the percentages of Outstanding Bonds of a Series specified under the caption "*Powers of Amendment*" 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 thereby, 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 under this caption. 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 Trustee 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 Owners of the Bonds of a Series described in the certificate or certificates of the Trustee.

Any consent given by Bondowner shall be binding upon the Bondowner giving such consent and, anything in the Resolution to the contrary notwithstanding, upon any subsequent Bondowner and of any Bonds of a Series issued in exchange therefor (whether or not such subsequent Owner thereof has notice thereof), unless such consent is revoked in writing by the Bondowner giving such consent or a subsequent Owner thereof by filing such revocation with the Trustee, prior to the time when the written statement of the Trustee (as provided 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 Trustee to the effect that no revocation thereof is on file with the Trustee. At any time after the Owners of the required percentages of Bonds of a Series shall have filed their consents to the Supplemental Resolution, the Trustee shall make and file with the Authority and the Trustee a written statement that such Owners of such required percentages of Bonds of such Series have filed such consents. Such written statement shall be conclusive that such consents have been so filed.

At any time thereafter notice, stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by the Authority on a stated date, a copy of which is on file with the Trustee) has been consented to by the Owners of the required percentages of Bonds of a Series and will be effective as provided under this caption, shall be given to such Bondowners by the Authority, by mailing such notice to such Bondowners (but failure to mail such notice shall not prevent such Supplemental Resolution from becoming effective and binding as provided under this caption) and, at the sole discretion of the Authority, by publishing the same at least once not more than ninety (90) days after the Owners of the required percentages of Bonds of such Series shall have filed their consents to the Supplemental Resolution and the written statement of the Trustee hereinabove provided for is filed (but failure to publish such notice shall not prevent such Supplemental Resolution from becoming effective and binding as provided under this caption). The Authority shall file with the Trustee proof of the mailing of such notice, and, if the same shall have been published, of the publication 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, each Paying Agent and the Owners of all Bonds of such Series upon the filing with the Trustee of proof of the mailing of such notice or at the expiration of thirty (30) days after the filing with the Trustee of the proof of the first publication of such last mentioned notice, if such notice is published, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced within such thirty (30) day period; provided, however, that the Authority, the Trustee and any Paying Agent during such thirty (30) day period and any such further period during which any such action or proceeding may be pending shall be entitled in their reasonable discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as they may deem expedient.

For the purposes of the provisions described under this caption, 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 and in the manner provided under this caption, except that no proof of ownership shall be required, and with the same effect as a consent given by the Owner 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 by the Authority.

(Section 10.02)

Events of Default

An event of default shall exist under the Resolution and under a Series Resolution (herein called “event of default”) if:

(a) With respect to a Series of Bonds, payment of 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; or

(b) With respect to a Series of Bonds, payment of an installment of interest on any Bond shall not be made by the Authority when the same shall become due and payable; or

(c) With respect to a Series of Bonds, the Authority shall fail to duly and punctually perform any covenants contained in the Resolution under the caption “Tax Covenant” or in the Series Resolution authorizing the issuance thereof and, as a result thereof, the interest on Tax-Exempt Bonds of a Series shall no longer be excludable from gross income under Section 103 of the Code; or

(d) With respect to a Series of Bonds, the Authority shall default in the due and punctual performance any other of the covenants, conditions, agreements and provisions contained in the Resolution, the applicable Series Resolution or such Series of Bonds 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 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 Owners 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

(e) With respect to a Series of Bonds, the Authority shall have notified the Trustee that an “Event of Default” under the related Loan Agreement, as such term is defined in such Loan Agreement, shall have occurred and be continuing and all sums payable by the Institution under such Loan Agreement shall have been declared to be immediately due and payable, which declaration shall not have been annulled.

(Section 11.02)

Acceleration of Maturity

Upon the happening and continuance of any event of default specified in the section entitled “*Event of Default*” of the Resolution, other than an event of default specified in paragraph (c) or (d) of such the section, then and in every such case the Trustee may, and, upon the written request of the Owners of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of a Series, shall, by a notice in writing to the Authority, declare the principal of and interest on all of the Outstanding Bonds of such Series to be immediately due and payable. 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 Series to the contrary notwithstanding. At any time after the principal of such Bonds shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such event of default, or before the completion of the enforcement of any other remedy thereunder, the Trustee shall, with the written consent of the Owners of not less than twenty-five per centum (25%) in principal amount of the Bonds of such Series not then due by their terms and then Outstanding, by written notice to the Authority, annul such declaration and its consequences if: (i) money 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 Series (except the interest accrued on such Bonds since the last interest payment date); (ii) money shall have accumulated and be available sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee and any Paying Agent; (iii) all other amounts then payable by the Authority under the Resolution and under the applicable Series Resolution (other than principal amounts payable only because of a declaration and acceleration pursuant to the provisions described under this caption) shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee; and (iv) every other event of default known to the Trustee in the observance or performance of any covenant, condition or agreement contained in the Resolution or in the Series Resolution or in such Bonds (other than an event of default relating to the payment of the principal of such Bonds then due only because of a declaration pursuant to the provisions described under this caption) shall have been remedied to the reasonable satisfaction of the Trustee. No such annulment shall extend to or affect any subsequent event of 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 section entitled “*Event of Default*” in the Resolution, then and in every such case, the Trustee may proceed, and upon the written request of the Owners of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of the Series affected thereby, shall proceed (subject to the provisions of the Resolution relating to the compensation of the Trustee) to protect and enforce its rights and the rights of the Bondowners under the Resolution, 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, under the applicable Series Resolution or in aid or execution of any power therein granted, or for an accounting against the Authority as if the Authority were the trustee of an express trust, or for the enforcement of any proper legal or equitable remedy as the Trustee shall deem most effectual to protect and enforce such rights, including the foreclosure of any Mortgage assigned to the Trustee.

In the enforcement of any remedy under the Resolution and under a 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 a Series Resolution or of the Bonds of a Series, with interest on overdue payments of the principal of or interest on the Bonds at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings under the Resolution, under the applicable Series Resolution and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Owners 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 any manner provided by law, the moneys adjudged or decreed to be payable.

(Section 11.04)

Borrowers' Direction of Proceedings

Anything in the Resolution to the contrary notwithstanding, the Owners of a majority in principal amount of the Outstanding Bonds of a Series 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 the applicable Series Resolution, provided such direction shall be in accordance with law and the provisions of the Resolution and of such 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 Borrowers not parties to such direction.

(Section 11.07)

Limitation of Rights of Individual Borrowers

No Owner 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 for any other remedy thereunder unless such Owner 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 Owners of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of a Series affected thereby, shall have made written request to the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted by the Resolution or to institute such action, suit or proceeding in its or their name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses, and liabilities to be incurred therein or 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 declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the Resolution or for any other remedy under the Resolution and in equity or at law. It is understood and intended that no one or more Owners of the Bonds of a Series secured by the Resolution and by the applicable Series Resolution shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security thereof or to enforce any right thereunder except in the manner therein provided, and that all proceedings at law or in equity shall be instituted and maintained

for the benefit of all Owners of the Outstanding Bonds of such Series. Notwithstanding any other provision of the Resolution, the Owner 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 Owner.

(Section 11.08)

Defeasance

If the Authority shall pay or cause to be paid to the Owners of Bonds of a Series 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 or related Bond Series Certificate, then the pledge of the Revenues or other moneys and securities pledged to such Bonds and all other rights granted by the Resolution to such Bonds shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the Authority, execute and deliver such documents to evidence such discharge and satisfaction as may be reasonably required by the Authority, and all money or securities held by it pursuant to the Resolution and to the applicable Series Resolution which are not required for the payment or redemption of Bonds of such Series not theretofore surrendered for such payment and 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 an Authorized Officer of the Authority; second, to each applicable Provider the Provider Payments which have not been repaid, pro rata, based upon the respective Provider Payments then unpaid to each such Provider; third, to the Authority, the amount certified by an Authorized Officer of 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, then, the balance thereof to the Institution. Such securities so paid or delivered shall be released from any trust, pledge, lien, encumbrance or security interest created by the Resolution or by the applicable Loan Agreement.

Bonds for the payment or redemption of which money shall have been set aside and shall be held in trust by the Trustee (through deposit of money 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 the immediately preceding paragraph. All Outstanding Bonds of any Series or any maturity or 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 the above paragraph 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, (iii) the Trustee shall have received the written consent to such defeasance of each applicable Provider which has given written notice to the Trustee and the Authority that amounts advanced under a Credit Facility or Liquidity Facility issued by it or the interest thereon have not been repaid to such Provider, and (iv) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority shall have given the Trustee, in form satisfactory to it, irrevocable instructions to give, as soon as practicable, by first class mail, postage prepaid, to the Owners of said Bonds at their last known addresses appearing on the registration books, and, if directed by the 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 Owners of such Bonds that the deposit required by clause (ii) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with Article XII of the Resolution and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds. The Authority shall give written notice to the Trustee of its selection of the Series and maturity the payment of which is to be made in accordance with the Resolution. The Trustee shall select the Bonds of like Series and maturity shall be paid in accordance with the Resolution in the manner provided therein. Neither 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 moneys and Defeasance Securities may be withdrawn and used by the Authority for any purpose upon (i) the simultaneous substitution therefor of 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 without regard to reinvestment, together with the moneys, 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 moneys 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 amounts required hereinabove to pay the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds, as realized, be paid by the Trustee as follows: first, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of an Authorized Officer of the Authority; second, to each applicable Provider, the Provider Payments which have not been repaid, pro rata, based upon the respective Provider Payments then unpaid to each Provider; third, to the Authority the amount certified by an Authorized Officer of the Authority to be then due or past due pursuant to the Loan Agreement for fees and expenses of the Authority or pursuant to any indemnity; and, then, the balance thereof to the Institution, and any such moneys so paid by the Trustee shall be released of any trust, pledge, lien, encumbrance or security interest created by the Resolution or by the applicable Loan Agreement.

For purposes of determining whether Variable Interest Rate Bonds of a Series shall be deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, by the deposit of moneys, or Defeasance Securities and moneys, if any, in accordance with the Resolution, the interest to come due on such Variable Interest Rate Bonds on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated at the Maximum Interest Rate permitted by the terms thereof; provided, however, that if on any date, as a result of such Variable Interest Rate Bonds having borne interest at less than such Maximum Interest Rate for any period, the total amount of moneys and Defeasance Securities on deposit with the Trustee for the payment of interest on such Variable Interest Rate Bonds is in excess of the total amount which would have been required to be deposited with the Trustee on such date in respect of such Variable Interest Rate Bonds in order to satisfy the Resolution, the Trustee shall, if requested by the Authority, pay the amount of such excess as follows: first, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of an Authorized Officer of the Authority; second, to each applicable Provider the Provider Payments which have not been repaid, pro rata, based upon the respective Provider Payments then unpaid to each Provider; third, to the Authority the amount certified by an Authorized Officer of the Authority to be then due or past due pursuant to the Loan Agreement for fees and expenses of the Authority or pursuant to any indemnity; and, then, the balance thereof to the Institution, and any such moneys so paid by the Trustee shall be released of any trust, pledge, lien, encumbrance or security interest created by the Resolution.

Option Bonds of a Series shall be deemed to have been paid in accordance with the Resolution only if, in addition to satisfying the requirements of the Resolution, there shall have been deposited with the Trustee moneys in an amount which shall be sufficient to pay when due the maximum amount of principal of and premium, if any, and interest on such Bonds which could become payable to the Owners of such Bonds upon the exercise of any options provided to the Owners of such Bonds upon the exercise of any options provided to the Owners of such Bonds; provided, however, that if, at the time a deposit is made with the Trustee pursuant to the Resolution, the options originally exercisable by the Owner of an Option Bond are no longer exercisable, such Bond shall not be considered an Option Bond for purposes of this paragraph. If any portion of the moneys deposited with the Trustee for the payment of the principal of and premium, if any, and interest on Option Bonds is not required for such purpose, the Trustee shall, if requested by the Authority, pay the amount of such excess as follows: first, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of an Authorized Officer of the Authority; second, to each applicable Provider the Provider Payments which have not been repaid, pro rata, based upon the respective Provider Payments then unpaid to each Provider; third, to the Authority, the amount certified by an Authorized Officer of 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, then, the balance thereof to the Institution, and any such moneys so paid by the Trustee shall be released of any trust, pledge, lien, encumbrance or security interest created by the Resolution.

Anything in the Resolution to the contrary notwithstanding, any moneys held by the Trustee or a Paying Agent in trust for the payment and discharge of any of the Bonds of a Series or the interest thereon which remain unclaimed for one (1) year after the date when all of the Bonds of such Series have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee or Paying Agent at such date, or for one (1) year after the date of deposit of such moneys if deposited with the Trustee or Paying Agent after said date when all of the Bonds of such Series 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 Owners of the 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 remains 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)

**FORM OF APPROVING OPINION
OF BOND COUNSEL**

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PROPOSED FORM OF APPROVING OPINION OF BOND COUNSEL

Upon delivery of the Series 2012 Bonds, Harris Beach PLLC, New York, New York, Bond Counsel to the Authority proposes to issue its opinion in substantially the following form:

[Date of Closing]

Dormitory Authority of the
State of New York
515 Broadway
Albany, New York 12207

Re: \$45,115,000
Dormitory Authority of the State of New York
Miriam Osborn Memorial Home Association Revenue Bonds, Series 2012

Ladies and Gentlemen:

We have examined a record of proceedings relating to the sale and issuance of \$45,115,000 aggregate principal amount of Miriam Osborn Memorial Home Association Revenue Bonds, Series 2012 (the “Series 2012 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 and pursuant to the Constitution and statutes of the State of New York, including the Dormitory Authority Act, being Chapter 524 of the Laws of 1944 of the State of New York, as amended to the date hereof (the “Act”). We have also examined such certificates, documents, records and matters of law as we have deemed necessary for the purpose of rendering the opinions hereinafter set forth. Capitalized terms used herein without other definition have the meanings set forth in the Resolutions (hereinafter defined).

The Series 2012 Bonds are issued under and pursuant to (i) the Constitution and laws of the State of New York, particularly the Act, (ii) the Authority’s Miriam Osborn Memorial Home Association Revenue Bond Resolution, duly adopted by the Authority on May 23, 2012 (the “General Resolution”), and (iii) the Authority’s Series 2012 Resolution Authorizing Miriam Osborn Memorial Home Association Revenue Bonds, Series 2012, duly adopted by the Authority on May 23, 2012 (the “Series Resolution”; and collectively with the General Resolution, the “Resolutions”) and a Bond Series Certificate, dated August 24, 2012 (the “Bond Series Certificate”), delivered by an Authorized Officer of the Authority pursuant to the Resolutions setting forth certain terms of the Series 2012 Bonds.

The Series 2012 Bonds are being issued for the purposes set forth in the Resolutions. The Series 2012 Bonds are separately secured from all other Series of Bonds which may be issued upon the terms and conditions and for the purposes set forth in the Resolutions.

The Series 2012 Bonds are dated their date of delivery and bear interest payable on January 1 and July 1 of each year until maturity, commencing January 1, 2013. The Series 2012 Bonds will mature on July 1 in the years, and will bear interest at the respective rates per annum as set forth in the Bond Series Certificate.

The Series 2012 Bonds are issuable in the form of fully registered bonds in the denominations of \$5,000 or any integral multiple thereof. The Series 2012 Bonds shall be lettered and numbered “R-” from one upward in order of issuance.

The Series 2012 Bonds are subject to redemption prior to maturity in the manner and upon the terms and conditions as set forth in the Resolutions and in the Bond Series Certificate.

The Authority and Miriam Osborn Memorial Home Association (the "Institution") have entered into a Loan Agreement, dated as of May 23, 2012 (the "Loan Agreement"), pursuant to which (a) the Authority has agreed to make a loan to the Institution and (b) the Institution is required to make payments sufficient to pay, among other things, the principal of and interest on the Series 2012 Bonds. All amounts payable under the Loan Agreement which are required to be paid to the Trustee under the Resolutions for payment of the principal or Redemption Price of, or interest on, the Series 2012 Bonds or to maintain the Debt Service Reserve Fund established for the Series 2012 Bonds at its requirement have been pledged by the Authority for the benefit of the Holders of the Series 2012 Bonds.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met subsequent to the issuance and delivery of the Series 2012 Bonds in order that interest thereon be and remain not included in gross income for Federal income tax purposes under Section 103 of the Code. Included among these continuing requirements are certain restrictions and prohibitions on the use and investment of bond proceeds and other moneys or property, required ownership of the facilities financed with the Series 2012 Bonds by an organization described in Section 501(c)(3) of the Code or a governmental unit, and the rebate to the United States of certain earnings in respect of investments. In the Resolutions, the Loan Agreement, the Tax and Arbitrage Certificate, dated the date hereof, of the Authority, and the Tax Certificate, dated the date hereof, of the Institution (collectively, the "Tax Certificates"), the Authority and the Institution have covenanted to comply with certain procedures, and have made certain representations and certifications, designed to assure satisfaction of the requirements of the Code.

In rendering the opinions set forth in paragraph 5 herein, we have assumed the accuracy of certain factual certifications of, and continuing compliance with, the covenants, representations, warranties, provisions and procedures set forth in the Resolutions, the Loan Agreement and the Tax Certificates by the Authority and the Institution. In the event of the inaccuracy or incompleteness of any of the certifications made by the Authority or the Institution, or the failure by the Authority or the Institution to comply with the covenants, representations, warranties, provisions and procedures set forth in the Resolutions, the Loan Agreement and the Tax Certificates, interest on the Series 2012 Bonds could become includable in gross income for federal income tax purposes retroactive to the date of the original execution and delivery of the Series 2012 Bonds, regardless of the date on which the event causing such inclusion occurs. We express no opinion as to any federal, state or local tax consequences with respect to the Series 2012 Bonds, or the interest thereon, if any change occurs or action is taken or omitted under the Resolutions, the Loan Agreement or the Tax Certificates or under any other relevant documents without the advice or approval of, or upon the advice or approval of any bond counsel other than, Harris Beach PLLC. In addition, we have not undertaken to determine, or to inform any person, whether any actions taken, or not taken, or events occurring, or not occurring, after the date of issuance of the Series 2012 Bonds may affect the tax status of interest on the Series 2012 Bonds. Further, although interest on the Series 2012 Bonds is not included in gross income for purposes of federal income taxation, receipt or accrual of the interest may otherwise affect the tax liability of a holder of a Series 2012 Bond depending upon the tax status of such holder and such holder's other items of income and deduction. We have not been requested to, and have not, reviewed any matter or conducted any investigation or examination relating to the federal, state or local tax consequences with respect to the ownership or disposition of the Series 2012 Bonds, or the accrual or receipt of interest thereon, and, accordingly, except as stated in paragraphs 5 and 6 herein, we take no responsibility therefor and express no opinion in connection therewith.

We have also examined one of the Series 2012 Bonds as executed and authenticated.

Based on the foregoing, and subject to the further qualifications and limitations noted below, we are of the opinion that:

1. The Authority is a body corporate and politic constituting a public benefit corporation of the State of New York, with the right and lawful authority and power to adopt the Resolutions and to issue the Series 2012 Bonds, thereunder.

2. The Resolutions have been duly and lawfully adopted by the Authority, are in full force and effect, and constitute legal, valid and binding obligations of the Authority enforceable in accordance with their respective terms.

3. The Series 2012 Bonds have been duly and validly authorized and issued in accordance with the Act and the Resolutions. The Series 2012 Bonds constitute legal, valid and binding special limited obligations of the Authority, payable as provided in, and enforceable against the Authority in accordance with, their terms and the terms of the Resolutions, and are entitled to the equal benefits of the Act and the Resolutions.

4. The Authority has the right and lawful authority and power to enter into the Loan Agreement and the Loan Agreement has been duly authorized, executed and delivered by the Authority and assuming the due execution and delivery thereof by the Institution, constitutes a legal, valid and binding obligation of the Authority enforceable in accordance with its terms.

5. Under existing statutes, regulations, administrative rulings and court decisions as of the date hereof, interest on the Series 2012 Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code. We are also of the opinion that interest on the Series 2012 Bonds is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. However interest on the Series 2012 Bonds is included in “adjusted current earnings” for purposes of calculating the federal alternative minimum tax liability, if any, of certain corporations.

The Series 2012 Bonds maturing July 1, 2023 through July 1, 2027, inclusive, July 1, 2029 and July 1, 2042 (collectively, the “Premium Bonds”) are being offered at prices in excess of their principal amounts. An initial purchaser with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Series 2012 Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Bonds.

The difference between the principal amount of the Series 2012 Bonds maturing July 1, 2018, July 1, 2019, July 1, 2021 and July 1, 2022 (collectively the “Discount Bonds”), and the initial offering price to the public (excluding bond houses, brokers and other intermediaries, or similar persons acting in the same capacity of underwriters or wholesalers), at which price a substantial amount of such Discount Bonds of the same maturity is first sold, constitutes original issue discount, which is not included in gross income for federal income tax purposes to the same extent as interest on the Discount Bonds. The Code provides that the amount of original issue discount accrues in accordance with a constant interest method based on the compounding of interest, and that an owner's adjusted basis of a Discount Bond acquired at such initial reoffering price will be increased by the amount of such accrued original issue discount for purposes of determining an owner's gain or loss on the disposition of a Discount Bond.

6. Under existing statutes, including the Act, interest on the Series 2012 Bonds is exempt from personal income taxes imposed by the State of New York or any of its political subdivisions.

The opinions contained in paragraphs 2, 3 and 4 above are qualified only to the extent that the enforceability of the Resolutions, the Series 2012 Bonds and the Loan Agreement may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or other laws heretofore or hereafter enacted and judicial

decisions relating to or affecting the enforcement of creditors' rights or remedies or contractual obligations generally and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) or as to the availability of any particular remedy, and except that the availability of the rights for the specific performance or injunctive relief may be subject to the discretion of the court.

In rendering the foregoing opinions we have made a review of such legal proceedings as we have deemed necessary to approve the legality and validity of the Series 2012 Bonds. In rendering the foregoing opinions, we have not been requested to examine any document or financial or other information concerning the Authority or the Institution other than the record of proceedings referred to above, and we express no opinion as to the adequacy or sufficiency of any financial or other information which has been or will be supplied to purchasers of the Series 2012 Bonds. In addition, we express no opinion as to the severability of any provisions of the Resolutions or the Loan Agreement.

Respectfully submitted,



The Osborn



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