



\$14,680,000		
DORMITORY AUTHORITY OF THE STATE OF NEW YORK		
F.F.T. SENIOR COMMUNITIES, INC.		
REVENUE BONDS, SERIES 2012		
Dated: Date of Delivery	Price: 100%	Due: July 1, 2039

Payment and Security: F.F.T. Senior Communities, Inc. Revenue Bonds, Series 2012 (the "Series 2012 Bonds") are special obligations of the Dormitory Authority of the State of New York (the "Authority") payable solely from certain payments to be made by the Bank (as hereinafter defined) under the Letter of Credit (as hereinafter defined) and, if such amounts are insufficient, the Revenues (as hereinafter defined) and secured by a pledge of (i) certain payments to be made under the Loan Agreement (the "Loan Agreement") dated as of July 25, 2012 by and between F.F.T. Senior Communities, Inc. (the "Institution") and the Authority, and (ii) all funds and accounts (except the Arbitrage Rebate Fund and any fund or account established for the payment of the purchase price of Series 2012 Bonds tendered for purchase or to reimburse the Bank) established under the F.F.T. Senior Communities, Inc. Revenue Bond Resolution adopted by the Authority on July 25, 2012 (the "Resolution"), the Series 2012 Resolution adopted on July 25, 2012, authorizing such Series 2012 Bonds (the "Series Resolution") and the Bond Series Certificate relating to the Series 2012 Bonds (the "Bond Series Certificate" and, collectively with the Resolution and the Series Resolution, the "Resolutions").

The Series 2012 Bonds will be secured by, and principal of, Sinking Fund Installments and interest on and Purchase Price and Redemption Price of the Series 2012 Bonds will be payable from funds, drawn by the Trustee (as hereinafter defined) under an irrevocable direct pay letter of credit (the "Letter of Credit") issued by HSBC Bank USA, National Association



(the "Bank") and held by The Bank of New York Mellon, as trustee and tender agent (the "Trustee"). The Letter of Credit provides for payment of an amount not to exceed the principal of and up to 35 days' interest on the Series 2012 Bonds, at a maximum rate of 12% per annum, and the Purchase Price of the Series 2012 Bonds tendered for purchase and not remarketed as described herein. The Letter of Credit will expire on September 11, 2015, unless terminated or extended prior to such date, in accordance with its terms. The Institution and the Bank will enter into a Letter of Credit and Reimbursement Agreement dated as of the date of delivery of the Series 2012 Bonds (the "Reimbursement Agreement") providing for reimbursement to the Bank of amounts drawn under the Letter of Credit. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2012 BONDS - The Letter of Credit."

The Series 2012 Bonds will not be a debt of the State of New York (the "State") and the State will not be liable on the Series 2012 Bonds. The Authority has no taxing power.

Description: The Series 2012 Bonds will be issued initially as fully registered Variable Interest Rate Bonds and Option Bonds in denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof payable at the principal corporate trust office of the Trustee. The Series 2012 Bonds will initially bear interest from their date of delivery at the Weekly Rate for Weekly Rate Periods until converted to another Rate Mode. Each Weekly Rate will be determined on the Business Day immediately preceding the first day of each Weekly Rate Period. Interest on the Series 2012 Bonds is payable on October 1, 2012 and thereafter on the first Business Day of each month for as long as the Series 2012 Bonds bear interest at the Weekly Rate. **This Official Statement generally describes the terms of the Series 2012 Bonds only while in the Weekly Rate Mode.**

While the Series 2012 Bonds are in the Weekly Rate Mode, the Series 2012 Bonds are subject to optional and mandatory tender for purchase as described herein. KeyBanc Capital Markets Inc. is the remarketing agent for the Series 2012 Bonds (the "Remarketing Agent").

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, Redemption Price and Purchase 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.

Mandatory Tender and Redemption: The Series 2012 Bonds are subject to mandatory tender and to redemption and purchase in lieu of redemption prior to maturity as more fully described herein.

Tax Exemption: In the opinion of Squire Sanders (US) LLP, Bond Counsel to the Authority, under existing law and assuming continuing compliance with certain covenants and the accuracy of certain representations, (i) interest on the Series 2012 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations and (ii) interest on the Series 2012 Bonds is exempt from personal income taxes imposed by the State of New York and political subdivisions thereof, including The City of New York and the City of Yonkers. Interest on the Series 2012 Bonds may be subject to certain federal taxes imposed only on certain corporations. For a more complete discussion of the tax aspects, see "PART 12 - TAX MATTERS" herein.

The Series 2012 Bonds are offered when, as, and if issued and received by 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 Squire Sanders (US) LLP, New York, New York, Bond Counsel to the Authority, and to certain other conditions. Certain legal matters will be passed upon for the Institution by its counsel, Harris Beach PLLC, Rochester, New York. Certain legal matters will be passed upon for the Underwriter by its counsel, Bond, Schoeneck & King, PLLC, Syracuse, New York. Certain legal matters will be passed upon for the Bank by its counsel, Harter Secrest & Emery LLP, Rochester, New York. The Authority expects to deliver the Series 2012 Bonds in definitive form in New York, New York, on or about September 12, 2012.



No dealer, broker, salesperson or other person has been authorized by the Authority, the Bank, 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 Bank, 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 by the Institution, the Bank and other sources that the Authority believes are reliable. Neither the Authority nor the Underwriter guarantee the accuracy or completeness of such information, and such information is not to be construed as a representation of the Authority or of the Underwriter.

The Institution has reviewed the parts of this Official Statement describing the Institution, including but not limited to "PART 1 – INTRODUCTION – Purpose of the Issue," "The Refunding Plan," "The Institution" and "The Swap Agreement," "PART 3 – THE SERIES 2012 BONDS – Principal and Interest Requirements," "PART 5 – THE REFUNDING PLAN", "PART 6 – ESTIMATED SOURCES AND USES OF FUNDS," "PART 7 – BONDHOLDER CONSIDERATIONS," "PART 8 – THE INSTITUTION," "PART 12 – TAX MATTERS" (only as to factual matters relating to the Institution), "PART 18 – CONTINUING DISCLOSURE," "APPENDIX B-1" and "APPENDIX B-2." The Institution shall certify as of the dates of offering and delivery of the Series 2012 Bonds that such parts of this Official Statement relating to the Institution do not contain any untrue statements of a material fact and do not omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading. The Institution makes no representation as to the accuracy or completeness of any other information included in this Official Statement.

The Bank has reviewed the parts of this Official Statement describing the Letter of Credit, the Reimbursement Agreement and the Bank. The Bank shall certify as of the date of this Official Statement and the date of delivery of the Series 2012 Bonds that the information contained herein describing the Bank, the Letter of Credit and the Reimbursement Agreement is true and correct in all material respects; provided, however, that the financial information relating to the Bank fairly presents the financial condition of the Bank only as of the dates and for the periods indicated and, to the best knowledge of the Bank, there has been no material adverse change in the financial condition, taken as a whole, of the Bank since such dates. The Bank makes no representations as to the accuracy or completeness of any other information included in this Official Statement.

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

References in this Official Statement to the Act, the Resolution, the Series Resolution, the Bond Series Certificate, the Loan Agreement, the Mortgage, the Assignment Agreement, the Reimbursement Agreement, the Remarketing Agreement, and the Letter of Credit do not purport to be complete. Investors should refer to the Act, the Resolution, the Series Resolution, the Bond Series Certificate, the Loan Agreement, the Mortgage, the Assignment Agreement, the Reimbursement Agreement, the Remarketing Agreement, and the Letter of Credit for full and complete details of their provisions. Copies of the Resolution, the Series Resolution, the Bond Series Certificate, the Loan Agreement, the Mortgage, the Assignment Agreement, the Reimbursement Agreement, the Remarketing Agreement, and the Letter of Credit 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 will the delivery of this Official Statement or any sale made after its delivery create any implication that the affairs of the Authority, the Institution or the Bank have remained unchanged after the date of this Official Statement.

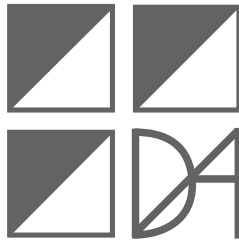
IN CONNECTION WITH THE OFFERING OF THE SERIES 2012 BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2012 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED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

THE SERIES 2012 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE RESOLUTIONS HAVE NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE SERIES 2012 BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF LAWS OF THE STATES IN WHICH SERIES 2012 BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE SERIES 2012 BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

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

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

\$14,680,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
F.F.T. SENIOR COMMUNITIES, INC.
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 Dormitory Authority of the State of New York (the “Authority”), HSBC Bank USA, National Association (the “Bank”) and F.F.T. Senior Communities, Inc. (the “Institution”) in connection with the offering by the Authority of its \$14,680,000 aggregate principal amount of its F.F.T. Senior Communities, Inc. Revenue Bonds, Series 2012 (the “Series 2012 Bonds”).

The following is a brief description of certain information concerning the Series 2012 Bonds, the Authority, the Bank 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

The purposes for which the Series 2012 Bonds are being issued are (i) to refund the outstanding principal amount of the Authority’s F.F.T. Senior Communities, Inc. Revenue Bonds, Series 2000B (the “Prior Bonds”), (ii) to fund a debt service reserve fund for the Series 2012 Bonds (the “Debt Service Reserve Fund”), and (iii) to pay a portion of the costs of issuance of the Series 2012 Bonds. See “PART 5 - THE REFUNDING PLAN” and “PART 6 - ESTIMATED SOURCES AND USES OF FUNDS.”

Authorization of Issuance

The Series 2012 Bonds will be issued pursuant to the Dormitory Authority Act, being Chapter 524 of the Laws of 1944, as amended, and constituting Titles 4 and 4-B of the Public Authorities Law of the State of New York (the “Act”), the Authority’s F.F.T. Senior Communities, Inc. Revenue Bond Resolution adopted by the Authority on July 25, 2012 (the “General Resolution” or the “Resolution”), the Series 2012 Resolution authorizing the Series 2012 Bonds adopted by the Authority on July 25, 2012 (the “Series Resolution”) and the Bond Series Certificate relating to the Series 2012 Bonds (the “Bond Series Certificate” and, together with the General Resolution and the Series Resolution, are hereinafter referred to collectively as the “Resolutions”). In addition to the Series 2012 Bonds, the Resolution authorizes the issuance of other Series of Bonds (collectively, the “Bonds”) to pay other Costs of one or more Projects, to pay the Costs of Issuance of such Series of Bonds and to refund all or a portion of Outstanding Bonds or other notes or bonds issued on behalf of the Institution. Each Series of Bonds will be separately secured from each other Series of Bonds; provided, however, that each Series of Bonds may be equally and ratably secured by the Gross Receipts and/or the Mortgaged Property as required by the applicable Series Resolution authorizing such Bonds. There is no limit on the amount of additional Bonds

that may be issued under the Resolution or which Bonds may be issued at any time after the scheduled delivery date of the Series 2012 Bonds. See "PART 3 - THE SERIES 2012 BONDS."

The Series 2012 Bonds

The Series 2012 Bonds will be dated the date of their initial delivery, will bear interest from that date and will mature, subject to prior redemption or tender for purchase, as described herein. Commencing on the date of delivery, the Series 2012 Bonds will bear interest in the Weekly Rate Mode as determined by the Remarketing Agent in accordance with the Remarketing Agreement on or before the date of delivery until the Series 2012 Bonds are converted to a new Rate Mode. All Series 2012 Bonds Outstanding at the time of a conversion are to be converted to the same Rate Mode. See "PART 3 - THE SERIES 2012 BONDS - Description of the Series 2012 Bonds."

This Official Statement generally describes the Series 2012 Bonds only while in the Weekly Rate Mode.

Interest on the Series 2012 Bonds while in the Weekly Rate Mode is payable on October 1, 2012 and thereafter on the first Business Day of each month.

The Series 2012 Bonds are subject to mandatory tender (i) on each Conversion Date, (ii) upon the termination or expiration of the Letter of Credit (as hereinafter defined), (iii) upon the delivery of a Substitute Credit Facility or (iv) upon an Event of Default under the Reimbursement Agreement or upon notification there has not been a reinstatement of a draw on the Letter of Credit (other than a draw relating to a permanent reduction of the stated amount of the Letter of Credit), and election by the Bank to direct the Trustee to cause a mandatory tender of the Series 2012 Bonds. While the Series 2012 Bonds bear interest at the Weekly Rate, Bondholders will have the right to tender the Series 2012 Bonds (or portion thereof under certain circumstances) as described herein. See "PART 3 - THE SERIES 2012 BONDS - Tender of the Series 2012 Bonds."

Payment of the Series 2012 Bonds

The Series 2012 Bonds are special obligations of the Authority payable from certain payments to be made by the Bank under the Letter of Credit and, if such amounts are insufficient, the Revenues, which consist of certain payments to be made by the Institution under the Loan Agreement. The Loan Agreement is a general obligation of the Institution. With the prior approval of the Authority and the Bank, the Institution may incur additional indebtedness secured on a parity with the security interests in the Gross Receipts and the Mortgaged Property securing the Series 2012 Bonds. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2012 BONDS - Payment of the Series 2012 Bonds."

Security for the Series 2012 Bonds

The Series 2012 Bonds will be secured by all funds and accounts, including the Debt Service Reserve Fund, established under the Resolutions (with the exception of the Arbitrage Rebate Fund and any fund or account established for the payment of the purchase price of Series 2012 Bonds tendered for purchase which fund or account only secures such tendered Bonds or to reimburse the Bank), a mortgage on the Mortgaged Property (the "Mortgage") and by the Gross Receipts. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2012 BONDS - Security for the Series 2012 Bonds."

The Letter of Credit

The Letter of Credit is the primary source of payment for the Series 2012 Bonds. Pursuant to the Letter of Credit and Reimbursement Agreement dated as of September 12, 2012 between the Institution and the Bank (the "Reimbursement Agreement"), the Bank will deliver an irrevocable direct pay letter of credit (the "Letter of Credit") dated the date of the Series 2012 Bonds, pursuant to which the Bank will be obligated, subject to the terms and conditions of the Letter of Credit, to honor drawings by the Trustee thereunder to pay the principal of, Sinking Fund Installments of, Purchase Price of, Redemption Price of, and interest on up to 35 days' interest at a maximum interest rate of twelve percent (12%) per annum) on the Series 2012 Bonds. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2012 BONDS - The Letter of Credit."

While in the Weekly Rate Mode, the Series 2012 Bonds are subject to optional and mandatory tender for purchase as described herein. Pursuant to the Letter of Credit, the Bank will be obligated to honor drawings with respect to Series 2012 Bonds tendered for purchase pursuant to the Bond Series Certificate and not remarketed. The Letter of Credit will expire on September 11, 2015 (the "Letter of Credit Expiration Date") unless renewed or extended or terminated prior to such date, pursuant to its terms. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2012 BONDS - The Letter of Credit" and "Reduction and Reinstatement of Letter of Credit."

The Refunding Plan

The proceeds of the Series 2012 Bonds will be used in part to refund the Prior Bonds. The proceeds of the Prior Bonds were used to finance the acquisition, construction and equipping of a senior living community, which constitutes a facility for the aged under the Act. See "PART 5 - THE REFUNDING PLAN."

The Institution

The Institution is a not-for-profit corporation formed in 1998 for the sole purposes of building and operating a not-for-profit retirement community in Canandaigua, New York (the "Community"). The Institution is exempt from federal income tax by virtue of being classified as an exempt organization under Section 501(c)(3) of the Code. See "PART 8 - THE INSTITUTION."

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, healthcare, governmental and not-for-profit institutions. See "PART 9 - THE AUTHORITY."

The Swap Agreement

The Institution intends to enter into a floating-to-fixed interest rate swap agreement dated the date of delivery of the Series 2012 Bonds (the "Swap Agreement") with HSBC Bank USA, National Association (the "Counterparty") with respect to the Series 2012 Bonds, pursuant to which the Institution will agree to make payments based on a fixed interest rate and shall receive payments from the Counterparty based on a floating interest rate index. The Swap Agreement does not affect or alter any of the obligations of the Institution with respect to the payment of the principal of or interest on the Series 2012 Bonds, and neither the owners of the Series 2012 Bonds nor any person other than the Counterparty have any rights under the Swap Agreement or against the Counterparty.

The Swap Agreement will terminate by its terms on September 12, 2015 and is subject to early termination upon the occurrence of certain specified events, including certain termination events and events of default (as defined therein which include, among other events, the failure by either party to meet its payment or other obligations thereunder and certain credit events related to the Institution). See "PART 7 – BONDHOLDER CONSIDERATIONS – Hedging Transactions" herein.

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

Set forth below is a narrative description of certain contractual provisions relating to the source of payment of and security for the Series 2012 Bonds. These provisions have been summarized and this description does not purport to be a complete description of the Act, the Loan Agreement, the Resolution, the Series Resolution, the Bond Series Certificate, the Mortgage, the Reimbursement Agreement, the Letter of Credit and the Assignment Agreement. Copies of the Loan Agreement, the Resolution, the Series Resolution, the Bond Series Certificate, the Mortgage, the Reimbursement Agreement, the Letter of Credit and the Assignment Agreement are on file with the Authority and the Trustee. See also "Appendix C - Summary of Certain Provisions of the Loan Agreement," "Appendix D - Summary of Certain Provisions of the Resolutions" and "Appendix E - Summary of Certain Provisions of the Reimbursement Agreement" 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 from proceeds received by the Trustee from drawings under the Letter of Credit and, if such amounts are insufficient, the Revenues. The Revenues consist of payments required to be made by the Institution under the Loan Agreement on account of principal, Sinking Fund Installments, Purchase Price, Redemption Price and interest on the Series 2012 Bonds.

Payments of principal and interest on the Series 2012 Bonds are expected to be made to the Holders of the Series 2012 Bonds from funds drawn under the Letter of Credit and, in the case of the Purchase Price of Tendered Bonds, from remarketing proceeds or, if remarketing proceeds are insufficient, from funds drawn on the Letter of Credit as described herein.

The Loan Agreement is a general obligation of the Institution. The Loan Agreement obligates the Institution to make monthly payments to satisfy the principal and Redemption Price of and interest on Outstanding Series 2012 Bonds. The Loan Agreement obligates the Institution to make payments to satisfy interest on the Series 2012 Bonds at least five (5) days (or the preceding Business Day if such day is not a Business Day) prior to the Interest Payment Date. With respect to payments of the principal and Sinking Fund Installments on the Series 2012 Bonds, each payment is to be equal to a proportionate share of the principal and Sinking Fund Installments coming due on the next succeeding July 1. The Loan Agreement also obligates the Institution to pay, at least forty-five (45) days prior to a redemption date or purchase date of Series 2012 Bonds called for redemption or contracted to be purchased, with certain exceptions, the amount, if any, required to pay the purchase price or Redemption Price of such Bonds. See "PART 3 - THE SERIES 2012 BONDS - Redemption and Purchase in Lieu of Redemption."

The Authority has directed the Institution, and the Institution has agreed, to make such payments directly to the Trustee. Such payments are to be applied by the Trustee to repay the Bank with respect to draws under the Letter of Credit or, if such amounts drawn under the Letter of Credit are insufficient to pay Bondholders, to pay the principal, Sinking Fund Installments, Purchase Price and Redemption Price of and interest on the Series 2012 Bonds.

Security for the Series 2012 Bonds

The Series 2012 Bonds will be secured by the payments described above to be made under the Letter of Credit, the Revenues and all funds and accounts established under the Resolutions (with the exception of the Arbitrage Rebate Fund and any fund or account established for the payment of the purchase price of Series 2012 Bonds tendered for purchase which fund or account only secures such tendered Bonds or to reimburse the Bank). The Revenues and the right to receive them have been pledged to the Trustee for the benefit of the Bank and the Holders of the Series 2012 Bonds. Each Series of Bonds issued pursuant to the Resolutions will be separately secured from each other Series of Bonds; provided, however, that each Series of Bonds may be equally and ratably secured by the Gross Receipts and/or the Mortgaged Property as provided in the applicable Series Resolutions authorizing such Bonds. See "Appendix D – Summary of Certain Provisions of the Resolutions."

As security for its obligations under the Loan Agreement, the Institution has granted to the Authority a security interest in the Gross Receipts (as defined in the Loan Agreement). In order to secure the obligations of the Authority under the Resolutions and to secure the payment of all amounts due and owing by the Authority to the Holders of the Series 2012 Bonds and in order to secure the obligations of the Institution to the Bank under the Reimbursement Agreement, the Authority will assign to the Trustee all of its rights under the Loan Agreement including its security interest in the Gross Receipts (subject to certain reserved rights of the Authority). The respective rights of the Authority, the Trustee and the Bank with respect to the Loan Agreement, the Mortgage and the Gross Receipts and other collateral will be governed by the provisions of the Assignment Agreement dated as of September 12, 2012 by and among the Bank, the Authority and the Trustee (the "Assignment Agreement").

To further secure the payment and performance of its obligations under the Loan Agreement, the Institution will grant the Authority a mortgage on the Mortgaged Property (as defined in the Mortgage) pursuant to the terms and conditions of the Mortgage. At the time of delivery of the Series 2012 Bonds, the Authority will assign its interest in the Mortgage to the Trustee for the benefit of the Bondholders pursuant to an Assignment of Mortgage. Pursuant to the Assignment Agreement, as long as the Letter of Credit is in effect and no event has occurred which would limit the Bank's rights under the Assignment Agreement, the Bank shall have the sole right (subject to certain reserved rights of the Authority) to grant any approval, consent or waiver required, and sole control of remedies under, the Loan Agreement (other than with respect to the Authority's reserved rights) and under the Mortgage.

The Institution may incur additional indebtedness secured equally and ratably with respect to the lien on the Mortgaged Property and/or the Gross Receipts with the prior written consent of the Authority and the applicable Credit Facility Provider.

Debt Service Reserve Fund

The Resolutions establish the Debt Service Reserve Fund to be held by the Trustee is to be applied solely for the purposes specified in the Resolution and is pledged to secure the payment of the principal, Sinking Fund Installments and Redemption Price of and interest on the Series 2012 Bonds.

The Resolutions require that the Debt Service Reserve Fund be maintained at an amount equal to its requirement, which is the greatest amount required in the then current or any future calendar year to pay the sum of the principal and Sinking Fund Installments of and interest on Outstanding Bonds payable during such year, subject to any limitation imposed by the Code. The Debt Service Reserve Fund Requirement for the Series 2012 Bonds is initially \$803,500, which was calculated using an assumed interest rate of 3.0%. See "Appendix D – Summary of Certain Provisions of the Resolutions."

Maintenance Covenants

The Institution covenants in the Loan Agreement that, so long as the Series 2012 Bonds remain Outstanding, it shall demonstrate that as of June 30th and December 31st of each year (each, a "Testing Date") its (i) Days Cash on Hand (as defined herein) was at least equal to 180 days, and its (ii) Occupancy Ratio (as defined herein) was at least equal to 75%. The Institution is required to demonstrate compliance with such covenants by filing semi-annual certificates with the Authority. Failure by the Institution to comply with the foregoing covenants will not constitute an event of default under the Loan Agreement or the Resolution; however, the Authority may in such event require that the Institution engage a Management Consultant. See "Appendix C – Summary of Certain Provisions of the Loan Agreement."

For purposes of Days Cash on Hand and the Occupancy Ratio, the following terms have the following meanings as provided in the Loan Agreement:

"Capacity Days Available" means the total number of units at the Institution multiplied by the number of days between Testing Dates and including the current Testing Date.

"Cash and Investments" means the sum of cash and cash equivalents and investments as of any particular date of calculation.

"Days Cash on Hand" means Cash and Investments divided by Daily Cash Operating Expenses.

"Daily Cash Operating Expenses" means as of any particular date of calculation the previous 12 months of total operating expenses less the previous 12 months depreciation and amortization plus the previous 12 months of principal payments on long term indebtedness, divided by 365.

"Occupancy Days" means the sum of the number of days each unit at the Institution is occupied between two Testing Dates, to include the Testing Date.

"Occupancy Ratio" means the percentage of Occupancy Days to Capacity Days Available.

The Letter of Credit

The following description of the Letter of Credit should not be considered a full statement thereof. Reference is hereby made to the Letter of Credit for the detailed terms and provisions thereof.

The Letter of Credit will be issued in an initial stated amount equal to \$14,848,921.00 (the "Stated Amount"), consisting of \$14,680,000, which may be drawn to pay the unpaid principal amount of the Series 2012 Bonds or the principal portion of the purchase price of the Series 2012 Bonds tendered or deemed tendered under the Resolutions, and \$168,921.00 (an amount equal to 35 days' interest computed at the rate of 12% per annum, based upon a year of 365 or 366 days, as applicable), which may be drawn to

pay interest on the Series 2012 Bonds or the interest portion of the purchase price of the Series 2012 Bonds so tendered or deemed tendered for purchase.

The Letter of Credit shall terminate automatically on the earliest of (i) September 11, 2015; (ii) the payment by the Bank to the Trustee of the final drawing available to be made under the Letter of Credit which is not subject to reinstatement; or (iii) receipt by the Bank of a certificate signed by an officer of the Trustee stating that (a) all of the outstanding Series 2012 Bonds were converted to Series 2012 Bonds bearing interest at a rate other than the Weekly Rate; (b) all of the Series 2012 Bonds have been paid, redeemed, or purchased and cancelled in accordance with the terms of the Resolutions, (c) the Letter of Credit has been replaced by a Substitute Credit Facility, or other alternate credit enhancement or liquidity support; or (d) a notice directing mandatory tender pursuant to the Resolutions was delivered to the Trustee and the mandatory tender occurred.

Pursuant to the Reimbursement Agreement, commencing on September 12, 2013 and on September 12 of each year thereafter (the "Renewal Date"), the Institution shall have the right to request a one (1) year extension of the Letter of Credit Expiration Date in writing to the Bank. Such request shall occur no earlier than one hundred eighty (180) days nor later than one hundred twenty (120) days prior to the Renewal Date. The Bank will notify the Institution of its acceptance or rejection of the Institution's renewal request no later than sixty (60) days prior to the Renewal Date. The decision with respect to the extension of the Letter of Credit Expiration Date beyond September 11, 2015 will be at the Bank's sole discretion, it being understood that the Bank shall have no obligation to so extend or renew the Letter of Credit.

Reduction and Reinstatement of Letter of Credit

Drawings may be made under the Letter of Credit in order to pay the principal, Purchase Price and Redemption Price of and interest on the Series 2012 Bonds. Multiple drawings may be made under the Letter of Credit, provided that drawings shall not in the aggregate exceed the Stated Amount, as the Stated Amount may be reduced or reinstated pursuant to the Letter of Credit.

The amount available under the Letter of Credit for the purpose of paying interest on the Series 2012 Bonds (the "Interest Component") shall be reduced in an amount equal to any draw to pay interest on the Series 2012 Bonds. The Interest Component shall be automatically reinstated by an amount equal to the amount of such drawing for the purpose of paying interest on the Series 2012 Bonds.

The amount available under the Letter of Credit for the purpose of paying principal of the Series 2012 Bonds shall be reduced in an amount equal to any draw to pay principal on (including the Purchase Price of) the Series 2012 Bonds.

The Reimbursement Agreement

The Letter of Credit is being issued pursuant to the Reimbursement Agreement, under which the Institution will be obligated, among other things, to reimburse the Bank, with interest, for each drawing under the Letter of Credit.

The Reimbursement Agreement contains various representations, warranties and covenants of the Institution and establishes various events of default thereunder.

The terms of the Reimbursement Agreement and certain related documents may be modified, amended or supplemented by the Bank and the Institution from time to time without giving notice to or obtaining the consent of the Bondholders. Any amendment, modification or supplement to the Reimbursement Agreement may contain amendments or modifications to the covenants of the Institution or additional covenants of the Institution and these amended or modified covenants may be more or less restrictive than those in effect on the date of issuance of the Series 2012 Bonds. See "Appendix E - Summary of Certain Provisions of the Reimbursement Agreement."

Substitute Credit Facility

The Authority may replace the Letter of Credit with a Substitute Credit Facility upon written notice to the Bank, or the Institution may, at any time, at its option with the prior written consent of the Authority and upon written notice to the Bank, deliver or cause to be delivered to the Trustee a Substitute Credit Facility.

The replacement of the Letter of Credit with a Substitute Credit Facility will cause a mandatory tender of all Series 2012 Bonds. In no event shall the Letter of Credit be surrendered to the Bank upon delivery of a Substitute Credit Facility until a drawing to pay the Purchase Price of the Series 2012 Bonds tendered for purchase and not remarketed has been honored by the Bank and the Bank certifies that the Institution has complied with the requirements of the Letter of Credit and the Reimbursement Agreement. No such Substitute Credit Facility shall be or become effective unless it meets the requirements set forth in the Bond Series Certificate.

Events of Default and Acceleration

The following are events of default under the Resolution with respect to the Series 2012 Bonds: (i) a default by the Authority in the payment of the principal, Sinking Fund Installment or Redemption Price of any Bond; (ii) a default by the Authority in the payment of interest on any Bond; (iii) a default by the Authority in the due and punctual performance of any covenant or agreement contained in the Series Resolution to comply with the provisions of the Code (as hereinafter defined) necessary to maintain the exclusion of interest on such Bonds from gross income for purposes of federal income taxation; (iv) a default by the Authority in the due and punctual performance of any covenants, conditions, agreements or provisions contained in the Series 2012 Bonds or in the Resolution or in the Series Resolution which continues for thirty (30) days after written notice thereof is given to the Authority by the Trustee (such notice to be given in the Trustee's discretion or at the written request of the Holders of not less than 25% in principal amount of Outstanding Bonds) or if such default is not capable of being cured within thirty (30) days, if the Authority fails to commence within thirty (30) days and diligently prosecute the cure thereof; or (v) the Authority shall have notified the Trustee that an "Event of Default" as defined in the Loan Agreement has occurred and is continuing and all sums payable by the Institution under the Loan Agreement have been declared immediately due and payable (unless such declaration shall have been annulled). Unless all sums payable by the Institution under the Loan Agreement are declared immediately due and payable, an event of default under the Loan Agreement is not an event of default under the Resolution.

The Resolution provides that, if an event of default (other than as described in clause (iii) of the preceding paragraph) occurs and continues, the Trustee may, and upon the written request of Holders of not less than 25% in principal amount of the Outstanding Series 2012 Bonds, shall declare the principal of and interest on all the Outstanding Series 2012 Bonds to be due and payable. At the expiration of thirty (30) days from the giving of such notice, such principal and interest will become due and payable. At any time after the principal of the Series 2012 Bonds shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Resolution, the Trustee shall, with the written consent of the Holders of not less than 25% in principal amount of Series 2012 Bonds not then 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 is to give notice in accordance with the Resolution of each event of default known to the Trustee to the Institution and to the Bank within five (5) days, and to the Holders within thirty (30) days, in each case after obtaining knowledge of the occurrence thereof, unless such default has been remedied or cured before the giving of such notice; provided, however, that, except in the case of default in the payment of principal, Sinking Fund Installments or Redemption Price of or interest on any of the Series 2012 Bonds, the Trustee will be protected in withholding such notice thereof to the Holders if the Trustee in good faith determines that the withholding of such notice is in the best interests of the Holders of the Series 2012 Bonds.

Rights of the Bank

The Resolutions provide that so long as no Credit Facility Provider Default is occurring, the Bank shall be deemed to be the Holder of all Series 2012 Bonds for purposes of exercising any right or power, consenting to an amendment, modification or waiver, or requesting or directing the Trustee to take or not to take any action under the Resolutions.

The Assignment Agreement

The respective rights and obligations of the Authority, the Bank and the Trustee to enforce the provisions of the Loan Agreement and the Mortgage, to foreclose the Mortgage or realize upon the security interests in the Gross Receipts and to share in any recoveries resulting therefrom are controlled and limited by the Assignment Agreement entered into by and among said parties. With the prior approval of the Authority and the Bank, but without the consent of the Holders of the Series 2012 Bonds, the Institution may

incur additional indebtedness secured on a parity with the security interests in the Gross Receipts and the Mortgaged Property securing the Series 2012 Bonds.

Issuance of Additional Bonds

In addition to the Series 2012 Bonds, the Resolution authorizes the issuance of other Series of Bonds to finance the Project, to pay the Costs of Issuance of such Series of Bonds, and for other specified purposes, including refunding Outstanding Bonds or other notes or bonds of the Authority or other evidence of indebtedness of the Institution. The Bonds which may be issued include Capital Appreciation Bonds, Deferred Income Bonds, Option Bonds, Variable Interest Rate Bonds and Fixed Rate Bonds, as described in the Resolution. Each Series of Bonds will be separately secured from each other Series of Bonds; provided, however, that each Series of Bonds, as well as other Parity Indebtedness, may be equally and ratably secured by the Gross Receipts and/or the Mortgaged Property to the extent required by and consented to by the applicable Credit Facility Providers. There is no limit on the amount of additional Bonds that may be issued under the Resolution.

General

The Series 2012 Bonds will not be a debt of the State and the State will not be liable on the Series 2012 Bonds. The Authority has no taxing power. See "PART 9 - THE AUTHORITY."

PART 3 - THE SERIES 2012 BONDS

Set forth below is a narrative description of certain provisions relating to the Series 2012 Bonds. These provisions have been summarized and this description does not purport to be complete. Reference should be made to the Resolutions and the Loan Agreement, copies of which 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 Resolutions" for a more complete description of certain provisions of the Series 2012 Bonds.

Description of the Series 2012 Bonds

The Series 2012 Bonds will be issued pursuant to the Act and the Resolutions. The Series 2012 Bonds will be dated the date of their initial delivery, and will bear interest at the Weekly Rate established for the Series 2012 Bonds for each Weekly Rate Period while in the Weekly Rate Mode until such time, if ever, as the Rate Mode for such Series 2012 Bonds is changed, as described herein. All Series 2012 Bonds must bear interest at the same Rate Mode. Under the Bond Series Certificate, the term Weekly Rate Period means a period commencing on a Wednesday of a calendar week and extending to and including the next succeeding Tuesday (or earlier Conversion Date). While in the Weekly Rate Mode, interest on the Series 2012 Bonds is payable on October 1, 2012 and the first Business Day of each month thereafter. Interest on Series 2012 Bonds payable during the Weekly Rate Mode shall be computed on the basis of a year of 365 or 366 days, as appropriate, for the actual number of days elapsed.

As a general matter, this Official Statement describes the terms of the Series 2012 Bonds only while in the Weekly Rate Mode.

The Series 2012 Bonds, when issued, will be registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). So long as DTC or its nominee, Cede & Co., is the registered owner of the Series 2012 Bonds, payments of the principal, Redemption Price and Purchase Price of and interest on the Series 2012 Bonds will be made by the Trustee directly to Cede & Co. Disbursement of such payments to the Direct Participants (as hereinafter defined) is the responsibility of DTC and disbursement of such payments to the Beneficial Owners (as hereinafter defined) of the Series 2012 Bonds is the responsibility of the Direct Participants and the Indirect Participants (as hereinafter defined). See "Book-Entry Only System."

The Series 2012 Bonds will be issued in denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof. The Series 2012 Bonds may be exchanged for other Series 2012 Bonds in any other authorized denominations upon surrender thereof at the corporate trust office of the Trustee, duly executed by the registered owner or his representative.

Interest shall be payable on each Interest Payment Date in immediately available funds payable by check mailed to each registered owner of a Series 2012 Bond on the Record Date immediately preceding such Interest Payment Date to the address thereof as it appears on the registry books of the Authority, or, at the request of a registered owner of at least one million dollars (\$1,000,000), by wire transfer to such registered owner at the wire transfer address in the continental United States to which such registered owner has not later than five (5) days prior to the Record Date immediately preceding such Interest Payment Date directed the Trustee to wire such interest payment. Notwithstanding the foregoing, interest payable on any Interest Payment Date during which the Series 2012 Bonds are Book Entry Bonds shall be paid by wire transfer to the Depository for the Series 2012 Bonds or its nominee, at the wire transfer address therefore.

Interest payable on each Interest Payment Date shall be the interest accrued and unpaid to and including the day preceding such Interest Payment Date.

Determination of Weekly Rate

Each Series 2012 Bond in a Weekly Rate Mode (other than a Bank Bond) will bear interest at the Weekly Rate established for such Series 2012 Bonds. The Weekly Rate is required to be determined by the Remarketing Agent to be the rate of interest that, if borne for such Weekly Rate Period, in the judgment of the Remarketing Agent, having due regard for the prevailing financial market conditions for bonds or other securities the interest on which is excludable from gross income for federal income tax purposes of the same general nature as the Series 2012 Bonds and that are comparable as to credit and maturity or tender dates with the credit and maturity or tender dates of the Series 2012 Bonds, would be the lowest interest rate that would enable the Series 2012 Bonds to be sold on the first day of the applicable Weekly Rate Period at a price of par, plus accrued interest, if any.

The Remarketing Agent will give notice of the Weekly Rate to any Holder, the Trustee, the Tender Agent, the Authority and the Bank requesting such notice.

The Remarketing Agent is required to determine a Weekly Rate for each Weekly Rate Period by 5:00 p.m., New York City time, on Tuesday of each week, or the next succeeding Business Day if any Tuesday is not a Business Day. If for any reason (i) the Weekly Rate for a Weekly Rate Period is not established as aforesaid, (ii) no Remarketing Agent is serving under the Bond Series Certificate, (iii) the Weekly Rate so established is held to be invalid or unenforceable with respect to a Weekly Rate Period or (iv) pursuant to the Remarketing Agreement the Remarketing Agent is not then required to establish a Weekly Rate, then the Weekly Rate for such Weekly Rate Period shall be the SIFMA Municipal Index on the date such Weekly Rate was to have been determined by the Remarketing Agent.

No Series 2012 Bonds (other than a Bank Bond) will bear interest at a rate that exceeds the Maximum Rate.

Redemption and Purchase in Lieu of Redemption

The Series 2012 Bonds will be subject to redemption prior to maturity as provided below.

Optional Redemption. The Series 2012 Bonds are subject to redemption prior to maturity at the election of the Authority upon the request of the Institution, in whole or in part, on any Business Day at a Redemption Price equal to 100% of the principal amount of each Series 2012 Bond or portion thereof to be redeemed, plus accrued interest to the redemption date.

Sinking Fund Redemption. The Series 2012 Bonds shall be subject to redemption, in part, through application of Sinking Fund Installments beginning on July 1, 2013, upon notice given as prescribed in the Resolutions, at a Redemption Price equal to 100% of the principal amount of each Series 2012 Bond or portion thereof to be redeemed, plus accrued interest, if any, to the date of redemption. Unless none of the Series 2012 Bonds of a maturity to be so redeemed are then Outstanding and, subject to the provisions of the Bond Series Certificate 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:

<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2013	\$360,000	2027	\$545,000
2014	370,000	2028	560,000
2015	385,000	2029	580,000
2016	395,000	2030	595,000
2017	405,000	2031	615,000
2018	420,000	2032	630,000
2019	430,000	2033	650,000
2020	445,000	2034	670,000
2021	455,000	2035	690,000
2022	470,000	2036	710,000
2023	485,000	2037	735,000
2024	500,000	2038	755,000
2025	515,000	2039	780,000
2026	530,000		

Special Redemption. The Series 2012 Bonds are also subject to redemption prior to maturity, in whole or in part, at 100% of the principal amount thereof plus accrued interest to the date of redemption, at the option of the Authority on any Interest Payment Date, from proceeds of a condemnation or insurance award, which proceeds are not used to repair, restore or replace the Project.

Selection of Series 2012 Bonds to be Redeemed. If less than all of the Outstanding Series 2012 Bonds of like maturity are to be redeemed or purchased in lieu of redemption as described herein, the Trustee shall select for redemption or purchase in lieu of redemption the Bank Bonds of such maturity before selecting any other Series 2012 Bonds for redemption or purchase. Thereafter, such other Series 2012 Bonds shall be selected by the Trustee using such method of selection as it deems proper in its discretion, in accordance with the Resolutions.

Notice of Redemption. Each notice of redemption of Series 2012 Bonds to be redeemed shall be given not less than fifteen (15) nor more than thirty (30) days prior to the redemption date. Each notice of redemption of Series 2012 Bonds in the Weekly Rate Mode to be redeemed at the option of the Authority shall state, in addition to any other condition, that the redemption is conditioned upon the availability on the redemption date of moneys sufficient to pay the Redemption Price of the Series 2012 Bonds to be redeemed.

Purchase In Lieu of Redemption. Any Series 2012 Bond which is subject to optional redemption may be purchased by the Trustee at the direction of the Institution with the consent of the Authority. Such Series 2012 Bond need not be cancelled upon purchase, but may be resold with the same terms or such different terms as may be agreed upon by the Institution and the purchasers with the consent of the Authority. If the Institution elects to purchase Series 2012 Bonds, the Institution shall give written notice to the Authority, the Trustee and the Bank of such election, which notice shall set forth the Series 2012 Bonds to be purchased.

Tender of the Series 2012 Bonds

Optional Tender of Book-Entry Bonds. For so long as a Series 2012 Bond bears interest in a Weekly Rate Mode during which such Series 2012 Bond is a Book-Entry Bond, a Direct Participant, acting on behalf of a Beneficial Owner, has the right to tender all or any portion, in an Authorized Denomination, of the principal amount of such Beneficial Owner's interest in any Series 2012 Bond for purchase on any Optional Tender Date, by giving or delivering to the Remarketing Agent and the Tender Agent at their respective principal offices a Tender Notice stating (i) the aggregate principal amount (in an Authorized Denomination) of each Series 2012 Bond or portion thereof to be purchased, and (ii) that such principal amount of the Series 2012 Bond (in an Authorized Denomination) must be purchased on such Optional Tender Date pursuant to the Bond Series Certificate. Optional Tender Date means any Business Day.

Such Tender Notice must be delivered, not later than 5:00 P.M., New York City time, on a Business Day which is not less than seven (7) calendar days prior to the Optional Tender Date.

Any Tender Notice so given or delivered shall be irrevocable and shall be binding on the Direct Participant, the Beneficial Owner on whose behalf such notice was given and any transferee of such Beneficial Owner. The principal amount of the Series 2012 Bonds for which a Tender Notice has been given or delivered shall be deemed tendered on the Optional Tender Date without presentation or surrender of the Series 2012 Bonds to the Tender Agent. If there is on deposit with the Tender Agent on the Optional Tender Date an amount sufficient to pay the Purchase Price of the aggregate principal amount of Series 2012 Bonds to be tendered on such Optional Tender Date pursuant to a Tender Notice given pursuant to this paragraph, ownership of such aggregate principal amount of Series 2012 Bonds shall be recorded in the records of DTC as transferred in accordance with the provisions of the Bond Series Certificate.

Optional Tender of Other Bonds. For so long as the Series 2012 Bonds bear interest in a Weekly Rate Mode during which the Series 2012 Bonds are not Book Entry Bonds, the Holders of the Series 2012 Bonds shall have the right to tender any Series 2012 Bond (or portion thereof in an Authorized Denomination) to the Tender Agent for purchase on any Optional Tender Date upon delivery of a Tender Notice in accordance with the Bond Series Certificate.

Mandatory Tenders. The Series 2012 Bonds are subject to mandatory tender and purchase at the Purchase Price on the following dates:

- (i) on each Conversion Date;
- (ii) on a date that is not less than three Business Days prior to the Letter of Credit Expiration Date, which Letter of Credit will be drawn upon to pay the Purchase Price of Tendered Bonds, unless such Letter of Credit has been extended at least twenty (20) days prior to the Letter of Credit Expiration Date (or the Letter of Credit is no longer required pursuant to and in accordance with the Bond Series Certificate, which event is covered by item (iii) below);
- (iii) on the effective date of a Substitute Credit Facility delivered with respect to the Series 2012 Bonds (or if such day is not a Business Day, on the immediately preceding Business Day); provided, however, the Letter of Credit shall be drawn upon to pay the Purchase Price of Tendered Bonds that have not been remarketed; and
- (iv) on a date not less than two, nor more than ten, Business Days after the receipt by the Trustee, the Remarketing Agent and the Authority of a notice delivered by the Bank or its agent stating that:
 - (A) an Event of Default has occurred and is continuing under the Reimbursement Agreement or there has not been a reinstatement of a draw on the Letter of Credit (other than a draw relating to a permanent reduction of the stated amount of the Letter of Credit), and
 - (B) the Bank has elected to require a mandatory tender of the Series 2012 Bonds as provided in the Reimbursement Agreement.

Notices of Mandatory Tenders. The Tender Agent will give notice of the mandatory tender to the Remarketing Agent and the Depository:

- (i) when the Series 2012 Bonds are to be tendered for purchase on Conversion to a new Rate Mode, not more than three Business Days after the Conversion Notice is received by the Tender Agent;
- (ii) when the Series 2012 Bonds are to be tendered for purchase on the Letter of Credit Expiration Date or in connection with the delivery of a Substitute Credit Facility, not less than five Business Days prior to the earlier of the Letter of Credit Expiration Date or the effective date of the Substitute Credit Facility; and
- (iii) when the Series 2012 Bonds are to be tendered for purchase at the direction of the Bank, not less than one Business Day prior to the date of the mandatory tender specified by the Bank.

If the Series 2012 Bonds are not held by a Depository, notices will be sent by first class mail to the Holders of the Series 2012 Bonds.

Tendered and Deemed Tendered Bonds. If a Bondholder fails to deliver to the Tender Agent, on or before the applicable Tender Date, all or any portion of a Series 2012 Bond subject to mandatory tender for purchase or any Series 2012 Bond, other than a Book Entry Bond, for which an election to tender has been duly made, such Series 2012 Bond (or portion thereof in an Authorized

Denomination) shall be deemed to have been properly tendered to the Tender Agent. To the extent that there is on deposit with the Tender Agent on the purchase date thereof an amount sufficient to pay the Purchase Price of the Tendered Bonds, such Tendered Bonds will cease to constitute or represent a right to payment of principal or interest thereon and will constitute and represent only the right to the payment of the Purchase Price payable on such date. The foregoing shall not limit the right of any person who on a Record Date is the Holder of a Series 2012 Bond to receipt of interest, if any, due thereon on the date such Series 2012 Bond is required to be purchased.

Purchase of Tendered Bonds. On each Tender Date the Tendered Bonds shall be purchased (but solely from Available Moneys) at the applicable Purchase Price, which will be paid by 3:00 P.M., New York City time, on the Tender Date. The Purchase Price for the Tendered Bonds shall be paid by the Tender Agent from and in the following order of priority: the proceeds of remarketing of the Tendered Bonds; amounts drawn on the Letter of Credit or certain other Available Moneys, if any, under the Bond Series Certificate. No Tendered Bond so purchased with moneys made available by the Bank shall cease to be Outstanding solely by reason of the purchase thereof.

Default by the Bank under the Letter of Credit may result in insufficient revenues being available to pay the Purchase Price of, and interest on tendered Series 2012 Bonds. In such event, Tendered Bonds may not be purchased. See “PART 7 – BONDHOLDER CONSIDERATIONS – Special Considerations Relating to the Series 2012 Bonds Bearing Interest at a Weekly Rate – *There are Certain Risks Related to the Letter of Credit.*”

Remarketing of Series 2012 Bonds. Upon receipt of any notice given pursuant to the Bond Series Certificate that any Series 2012 Bonds will be or are required to be tendered for purchase, the Remarketing Agent shall use its best efforts to remarket such Tendered Bond on its Tender Date at a price equal to the Purchase Price.

Notwithstanding any other provision of the Resolutions to the contrary, so long as any Series 2012 Bond is registered in the name of Cede & Co, as nominee of DTC, all payments with respect to principal of, interest, Purchase Price and premium, if any, and all deliveries to be made and all notices to be delivered with respect to such Series 2012 Bonds shall be made and given, respectively, pursuant to DTC’s rules and procedures.

Conversion to Other Rate Modes

The Authority, at the direction of the Institution, may, from time to time, by written direction to the Remarketing Agent, the Depository, the Bank, the Trustee, the Tender Agent and each Rating Service maintaining a rating on the Series 2012 Bonds, elect that all (but not less than all) of the Series 2012 Bonds be converted from the Weekly Rate Mode to a new Rate Mode. Upon such direction by the Institution, the Authority shall, not less than 15 days prior to any Conversion Date or, if the Series 2012 Bonds are Book Entry Bonds, such shorter period as the Depository permits, deliver such written notice specifying (A) the Conversion Date, (B) the Rate Mode that will be effective upon such Conversion, (C) if the Conversion is to a Term Rate Mode, the Term Rate Period, and (D) the ratings expected to be effective on the Series 2012 Bonds after such Conversion. At the time of a conversion from the Weekly Rate Mode to a different Rate Mode, the Series 2012 Bonds are subject to mandatory tender for purchase at the Purchase Price as described herein. See “Appendix D – Summary of Certain Provisions of the Resolutions.”

The Bond Series Certificate provides that no conversion of a Rate Mode will occur thereunder unless (i) on the Conversion Date no event of default under the Resolution has occurred and is continuing, (ii) the Authority receives a favorable opinion from Bond Counsel with respect to the proposed conversion, and (iii) such other requirements as are set forth in the Bond Series Certificate are met.

In the event the requirements described in the preceding sentence are not met, or the Remarketing Agent notifies the Trustee, the Authority, the Institution and the Bank, that the Series 2012 Bonds to be converted cannot be remarketed, or the Authority, at the direction of the Institution, notifies the Remarketing Agent, the Bank and the Trustee in writing that it does not want the Series 2012 Bonds to be converted to a new Rate Mode, the succeeding Rate Mode shall be the Weekly Rate Mode and the Rate thereon shall be calculated without regard to the proposed conversion.

Amendments to the Bond Series Certificate

The provisions of the Bond Series Certificate may be amended in any way without the consent of the Holders of the Series 2012 Bonds, but with the consent of the Bank: (i) on any Mandatory Tender Date; and (ii) at any time during the Weekly Rate Mode provided that notice of such amendment is given by first class mail to each Holder of Series 2012 Bonds at least fifteen (15) days prior to the effective date of such amendment and such amendment shall not adversely affect the interest of the Holders of the Series 2012 Bonds in any material respect.

The Remarketing Agent

The Authority, at the direction of the Institution, has appointed KeyBanc Capital Markets Inc. as the Remarketing Agent for the Series 2012 Bonds. In accordance with the Resolutions and the Remarketing Agreement, the Remarketing Agent will use its best efforts to find purchasers for Series 2012 Bonds which have been tendered. The Remarketing Agent can be contacted at 127 Public Square, Cleveland, Ohio 44114.

Limitations on Remarketings. Remarketing of the Series 2012 Bonds is subject to the following limitations:

(i) The Remarketing Agent shall not, during any period during which the Letter of Credit is in effect, remarket Tendered Bonds if:

(A) upon such remarketing the amount available to be drawn under the Letter of Credit, together with amounts on deposit in the Credit Facility Account of the Debt Service Fund, for the payment of the principal or Purchase Price of the Outstanding Series 2012 Bonds is less than the principal of such Series 2012 Bonds that are not Bank Bonds, or an amount available to be drawn under the Letter of Credit for payment of the interest on such Outstanding Series 2012 Bonds, is less than the minimum amount required to be available under Letter of Credit in accordance with the Bond Series Certificate;

(B) the Letter of Credit then in effect will expire or terminate within twenty (20) days after the Tender Date of the Tendered Bonds, unless and until the Letter of Credit has been extended or a Substitute Credit Facility has been delivered to the Tender Agent; provided, however, that the restriction on remarketing contained in this paragraph (B) shall not apply to any remarketing of the Series 2012 Bonds in a Fixed Rate Mode; or

(C) the Tendered Bonds were tendered pursuant to a mandatory tender required by the Bank following an Event of Default under the Reimbursement Agreement.

(ii) No Tendered Bonds shall be remarketed by the Remarketing Agent for purchase by the Authority or the Institution, unless there has been delivered to the Trustee an opinion of Bond Counsel and an opinion of counsel to the effect that payment of the Purchase Price of Tendered Bonds from moneys paid by or on behalf of the Authority or the Institution for the purchase of such Tendered Bonds will not constitute a voidable preference under Section 547 of the United States Bankruptcy Code in a proceeding commenced by or against the Authority or the Institution thereunder.

In addition, the Remarketing Agreement provides that the Remarketing Agent shall have the right in its sole discretion, to refuse to remarket or to suspend the remarketing of Series 2012 Bonds upon the occurrence of a number of events, including the following:

(i) any Event of Default specified in the Resolution or the Loan Agreement shall have occurred and be continuing; or

(ii) it shall have determined, in its sole discretion upon consultation with counsel, that either (A) a disclosure document is required by applicable law to be distributed to prospective purchasers and that such document is not available or, if available, is not reasonably satisfactory to the Remarketing Agent in form or substance or (B) a continuing disclosure undertaking is required by applicable law and that such undertaking is either not then in effect or is not reasonably satisfactory to the Remarketing Agent in form or substance; or

(iii) it shall receive an opinion of Bond Counsel (a copy of which shall be furnished to the Institution and the Authority) that substantial grounds exist upon which the exclusion from gross income of interest on the Series 2012 Bonds

for federal income tax purposes or the exemption from registration under the Securities Act of 1933, as amended (the “Securities Act”), or the exemption from qualification of the Resolutions under the Trust Indenture Act of 1939, as amended, can be challenged; or

(iv) each of the Resolutions and the Loan Agreement shall not be in full force and effect or shall have been amended, modified or supplemented in any way which would materially and adversely affect the remarketing of the Series 2012 Bonds, except as may have been agreed to in writing by the Remarketing Agent.

In the event the Remarketing Agent elects to refuse to remarket or to suspend the remarketing of the Series 2012 Bonds, the Remarketing Agent shall provide notice of such election within one (1) Business Day to the Authority and the Institution. The Remarketing Agent will also suspend remarketing of the Series 2012 Bonds when requested by the Authority (with, as long as no Event of Default has occurred and is continuing, and no event has occurred that, with the giving of notice or time elapsed, or both, would constitute an Event of Default, the consent of the Institution) or the Institution (with the consent of the Authority).

Book-Entry Only System

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

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

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 Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 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 certificates representing their ownership interests in 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 Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to DTC. If less than all of the Series 2012 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed. Neither DTC nor Cede & Co. (nor 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, distributions, and dividend 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 payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Series 2012 Bonds purchased or tendered, through its Participant, to the Tender Agent and the Remarketing Agent, and shall effect delivery of such Series 2012 Bonds by causing the Direct Participant to transfer the Participant's interest in the Series 2012 Bonds, on DTC's records, to the Tender Agent and the Remarketing Agent. The requirement for physical delivery of Series 2012 Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Series 2012 Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Series 2012 Bonds to the Tender Agent and the Remarketing Agent's DTC account.

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, Series 2012 Bond certificates are required to be printed and delivered.

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

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

Each person for whom a Participant acquires an interest in the Series 2012 Bonds, as nominee, may desire to make arrangements with such Participant to receive a credit balance in the records of such Participant, and may desire to make arrangements with such Participant to have all notices of redemption or other communications of DTC, which may affect such persons, to be forwarded in writing by such Participant and to have notification made of all interest payments. NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE SERIES 2012 BONDS.

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

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

For every transfer and exchange of Series 2012 Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

The Authority, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the Series 2012 Bonds if the Authority determines that (i) DTC is unable to discharge its responsibilities with respect to the Series 2012 Bonds or (ii) a continuation of the requirement that all of the Outstanding Bonds be registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of DTC, is not in the best interests of the Beneficial Owners. In the event that no substitute securities depository is found by the Authority or restricted registration is no longer in effect, Series 2012 Bond certificates will be delivered as described in the Resolutions.

NEITHER THE AUTHORITY NOR THE BANK NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT, (II) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SERIES 2012 BONDS UNDER THE RESOLUTIONS; (III) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2012 BONDS; (IV) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE SERIES 2012 BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE SERIES 2012 BONDS; OR (VI) ANY OTHER MATTER.

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Principal and Interest Requirements

The following table sets forth the amounts, after giving effect to the issuance of the Series 2012 Bonds and the redemption of the Prior Bonds, required to be paid by the Institution during each twelve month period ending June 30 of the years shown for the payment of the principal of and interest on the Series 2012 Bonds.

<u>Year</u>	<u>Principal</u>	<u>Interest</u> ⁽¹⁾	<u>Total Debt Service</u>
2013	\$360,000	\$353,543	\$713,543
2014	370,000	429,600	799,600
2015	385,000	418,500	803,500
2016	395,000	406,950	801,950
2017	405,000	395,100	800,100
2018	420,000	382,950	802,950
2019	430,000	370,350	800,350
2020	445,000	357,450	802,450
2021	455,000	344,100	799,100
2022	470,000	330,450	800,450
2023	485,000	316,350	801,350
2024	500,000	301,800	801,800
2025	515,000	286,800	801,800
2026	530,000	271,350	801,350
2027	545,000	255,450	800,450
2028	560,000	239,100	799,100
2029	580,000	222,300	802,300
2030	595,000	204,900	799,900
2031	615,000	187,050	802,050
2032	630,000	168,600	798,600
2033	650,000	149,700	799,700
2034	670,000	130,200	800,200
2035	690,000	110,100	800,100
2036	710,000	89,400	799,400
2037	735,000	68,100	803,100
2038	755,000	46,050	801,050
2039	780,000	23,400	803,400

(1) Assumes that the Series 2012 Bonds bear interest at 3.0% per annum.

PART 4 - THE BANK

The following information has been provided by the Bank (at times referred to hereinafter as “HSBC Bank USA, N.A.”) for use in this Official Statement. Such information is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Authority, the Institution, the Underwriter or the Remarketing Agent. This information has not been independently verified by the Authority, the Institution, the Underwriter or the Remarketing Agent. No representation is made by the Authority, the Institution, the Underwriter, or the Remarketing Agent as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

HSBC Bank USA, N.A. is the principal subsidiary of HSBC USA Inc. (“HSBC USA”), a corporation organized under the laws of the State of Maryland. HSBC USA and the Bank are indirect wholly owned subsidiaries of HSBC Holdings plc. HSBC Holdings plc, headquartered in London, England, is one of the largest banking and financial services organizations in the world.

The Bank’s main office is in McLean, Virginia. Its principal executive offices are located at 452 Fifth Avenue, New York, New York 10018 (telephone 212-525-5000).

The Bank is chartered as a national banking association under the laws of the United States and, as such, is regulated primarily by the Office of the Comptroller of the Currency. The Bank’s deposits are insured by the FDIC up to applicable limits. The Bank’s domestic operations are primarily in New York State. The Bank also has banking branch offices and/or representative offices in California, Connecticut, Delaware, Florida, Georgia, Illinois, Maryland, Massachusetts, New Jersey, New York, North Carolina, Oregon, Pennsylvania, Texas, Virginia, Washington and the District of Columbia. In addition to its domestic offices, HSBC Bank USA maintains foreign branch offices, subsidiaries and/or representative offices in the Caribbean, Europe, Asia, Latin America and Canada.

The Bank offers a full range of commercial and consumer banking products and related financial services to individuals, including high net worth individuals, small businesses, corporations, institutions and governments. The Bank also engages in mortgage banking, and is an international dealer in derivative instruments denominated in U.S. dollars and other currencies, focusing on structuring of transactions to meet clients’ needs. The affiliation with HSBC Holdings enables the Bank to offer its customers access to global markets and services. In turn, the Bank plays a role in the delivery and processing of other HSBC products. At June 30, 2012, the Bank represented approximately 97% of the consolidated assets of HSBC USA and had assets of approximately \$194.0 billion, total liabilities of approximately \$174.6 billion, including approximately \$133.7 billion in deposits and approximately \$8.0 billion of long-term debt, and shareholder’s equity of approximately \$19.4 billion.

The Bank is required to submit certain reports entitled “Consolidated Reports of Condition and Income” (each, a “Call Report” and collectively, the “Call Reports”). The Bank’s Call Reports are prepared in accordance with regulatory instructions issued by the Federal Financial Institutions Examination Council (the “FFIEC”) and consist of a balance sheet, income statement, changes in equity capital and other supporting schedules as of the end of the period to which each such Call Report relates. The publicly available portions of the Bank’s Call Reports are on file with the FFIEC and available on the FFIEC’s Central Data Repository Public Data Distribution website at <https://cdr.ffiec.gov/public/>.

HSBC USA files annual, quarterly and special reports, information statements and other information with the Securities and Exchange Commission (the “SEC”) under File No. 1-7436. Copies of HSBC USA’s SEC filings (including the reports referred to above) are available (i) on the SEC’s website at <http://www.sec.gov> and (ii) at the SEC’s public reference room at 100 F Street, N.E., Washington D.C. 20549.

PART 5 - THE REFUNDING PLAN

The proceeds of the Series 2012 Bonds shall be applied, together with other available funds, to (i) refund the outstanding Prior Bonds, (ii) fund the Debt Service Reserve Fund and (iii) pay a portion of the Costs of Issuance of the Series 2012 Bonds (collectively, the “Refunding Plan”). The proceeds of the Prior Bonds financed a portion of the Institution’s acquisition, construction and equipping of a senior living community (the “Community”) located in the Town of Canandaigua, New York on an approximately 57-acre site overlooking Canandaigua Lake known as Ferris Hills at West Lake (the “Project”). For more information on the Community, see “PART 8 – THE INSTITUTION.”

PART 6 - ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds are as follows:

Sources of Funds

Principal Amount of Series 2012 Bonds	\$14,680,000.00
Funds Held Under Prior Bonds Resolution	1,596,113.72
Anticipated Equity Contribution	<u>323,681.00</u>
Total Sources	<u>\$16,599,794.72</u>

Uses of Funds

Amount Required to Refund Prior Bonds	\$15,101,415.11
Deposit to Debt Service Reserve Fund	803,500.00
Additional Proceeds (Interest on Series 2012 Bonds)	2,598.61
Costs of Issuance and Related Costs ⁽¹⁾	<u>692,281.00</u>
Total Uses	<u>\$16,599,794.72</u>

⁽¹⁾ Estimated amount to provide for Underwriter's discount, Authority fee, title insurance, legal fees, letter of credit fees and associated costs related to the Series 2012 Bonds.

PART 7 - BONDHOLDER CONSIDERATIONS

The following discussion of risks to holders of the Series 2012 Bonds is not intended to be exhaustive, but rather to summarize certain matters which could affect payment of the Series 2012 Bonds or the likelihood of a mandatory tender, in addition to other risks described throughout this Official Statement.

General

The Series 2012 Bonds are not a debt or liability of the State of New York or any political subdivision thereof, but are special and limited obligations of the Authority and are payable solely from the Letter of Credit and the Revenues pledged to such Series 2012 Bonds, which consist of payments payable by the Institution under the Loan Agreement, and are secured by the funds and accounts held by the Trustee pursuant to the Resolutions (except the Arbitrage Rebate Fund and any fund or account established for the payment of the purchase price of Series 2012 Bonds tendered for purchase which fund or account only secures such tendered Bonds and to reimburse the Bank) and certain investment income thereon. The Authority has no taxing power. No representation or assurance can be made that revenues will be realized from the Institution in amounts sufficient to provide funds for payment of debt service on the Series 2012 Bonds when due and to make other payments necessary to meet the obligations of the Institution. Further, there is no assurance that such revenues of the Institution can be increased sufficiently to match increased costs that may be incurred.

Rights of the Bank

So long as no Credit Facility Provider Default is occurring, the Bank shall be treated as the Holder of all Series 2012 Bonds. To the extent that the Bank makes payment of the principal of, Purchase Price of or interest on the Series 2012 Bonds and has not been reimbursed therefor, it shall become the owner of such Series 2012 Bonds, such Series 2012 Bonds shall be deemed to be Outstanding and it shall be entitled to the right to payment of principal or interest on such Series 2012 Bond and it shall be fully subrogated to all of the owner's rights thereunder and under the Resolutions, including the owner's rights to receive payment thereof. Upon the retirement of the Series 2012 Bonds and the final repayment by the Institution of all of its reimbursement obligations under the Reimbursement Agreement, or in the event of the repudiation of the Letter of Credit by the Bank, the Bank's consent rights and right of subrogation shall cease.

Special Considerations Relating to the Series 2012 Bonds Bearing Interest at a Weekly Rate

The Remarketing Agent Is Paid by the Institution. The Remarketing Agent's responsibilities include determining the interest rate from time to time and using best efforts to remarket Series 2012 Bonds that are optionally or mandatorily tendered by the owners thereof (subject, in each case, to the terms of the Remarketing Agreement and the Bond Series Certificate), as further described in this Official Statement. The Remarketing Agent is appointed by the Authority and is paid by the Institution for its services. As a result, the interests of the Remarketing Agent may differ from those of existing Bondholders and potential purchasers of Series 2012 Bonds.

The Remarketing Agent Routinely Purchases Series 2012 Bonds for Its Own Account. The Remarketing Agent acts as remarketing agent for a variety of variable rate demand obligations and, in its sole discretion, routinely purchases such obligations for its own account. The Remarketing Agent is permitted, but not obligated, to purchase tendered Series 2012 Bonds for its own account and, in its sole discretion, routinely acquires such tendered Series 2012 Bonds in order to achieve a successful remarketing of the Series 2012 Bonds (*i.e.*, because there otherwise are not enough buyers to purchase the Series 2012 Bonds) or for other reasons. However, the Remarketing Agent is not obligated to purchase Series 2012 Bonds, and may cease doing so at any time without notice. The Remarketing Agent may also make a market in the Series 2012 Bonds by routinely purchasing and selling Series 2012 Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agent is not required to make a market in the Series 2012 Bonds. The Remarketing Agent may also sell any Series 2012 Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the Series 2012 Bonds. The purchase of Series 2012 Bonds by the Remarketing Agent may create the appearance that there is greater third party demand for the Series 2012 Bonds in the market than is actually the case. The practices described above also may result in fewer Series 2012 Bonds being tendered in a remarketing.

Bonds May Be Offered at Different Prices on Any Date Including a Rate Determination Date. Pursuant to the Remarketing Agreement, the Remarketing Agent is required to use its best efforts to determine the applicable rate of interest that, in its judgment, is the lowest rate that would permit the sale of the Series 2012 Bonds bearing interest at the applicable interest rate at par plus accrued interest, if any, on and as of the applicable Reset Date. The interest rate will reflect, among other factors, the level of market demand for the Series 2012 Bonds (including whether the Remarketing Agent is willing to purchase Bonds for its own account). There may or may not be Series 2012 Bonds tendered and remarketed on a Reset Date, the Remarketing Agent may or may not be able to remarket any Series 2012 Bonds tendered for purchase on such date at par and the Remarketing Agent may sell Series 2012 Bonds at varying prices to different investors on such date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third party buyers for all of the Series 2012 Bonds at the remarketing price. In the event the Remarketing Agent owns any Series 2012 Bonds for its own account, it may, in its sole discretion in a secondary market transaction outside the tender process, offer such Series 2012 Bonds on any date, including the Reset Date, at a discount to par to some investors.

The Ability to Sell the Series 2012 Bonds Other Than through Tender Process May Be Limited. The Remarketing Agent may buy and sell Series 2012 Bonds other than through the tender process. However, it is not obligated to do so and may cease doing so at any time without notice and may require Holders that wish to tender their Series 2012 Bonds to do so through the Tender Agent with appropriate notice. Thus, investors who purchase the Series 2012 Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their Series 2012 Bonds other than by tendering the Series 2012 Bonds in accordance with the tender process.

Under Certain Circumstances, the Remarketing Agent May be Removed, Resign or Cease Remarketing the Series 2012 Bonds, Without a Successor Being Named. Under certain circumstances the Remarketing Agent may be removed or have the ability to resign or cease its remarketing efforts, without a successor having been named, subject to the terms of the Remarketing Agreement and the Bond Series Certificate. In the event there is no Remarketing Agent, the Trustee may assume such duties as described in the Resolutions, which are limited to accepting notices of tender.

There are Certain Risks Related to the Letter of Credit. The Bank's obligation under the Letter of Credit will be a general obligation of the Bank. There can be no assurance that the Bank will maintain its present financial condition or that an adverse change in such condition will not adversely affect its ability to honor future drawings under the Letter of Credit. A change in the creditworthiness of the Bank could result in a change in the rating on the Series 2012 Bonds. Default by the Bank under the Letter of Credit may result in insufficient revenues being available to pay the principal and Purchase Price of and interest on the Series 2012 Bonds. See "Appendix E – Summary of Certain Provisions of the Reimbursement Agreement."

Failure to Extend Letter of Credit. The Letter of Credit will expire on September 11, 2015. There are no assurances that the Bank will extend the Letter of Credit beyond that date. In the event that the Letter of Credit is not extended beyond the Letter of Credit Expiration Date at least twenty (20) days prior to such stated expiration date, the Series 2012 Bonds will be subject to mandatory purchase without premium on a date that is not less than three Business Days prior to the Letter of Credit Expiration Date.

Internal Revenue Code Limitations

The Code contains restrictions on the issuance of tax-exempt bonds for the purpose of financing and refinancing different types of healthcare facilities for not-for-profit organizations, including facilities generating taxable income. Consequently, the Code could adversely affect the Institution's ability to finance future capital needs and could have other adverse effects on the Institution that cannot be predicted at this time. The Code continues to subject unrelated business income of nonprofit organizations to taxation.

The Internal Revenue Service ("IRS") has intensified its scrutiny of a broad variety of contractual relationships commonly entered into by hospitals and affiliated entities in an effort to determine whether any action should be taken with respect to limitations on, or revocation of, their tax-exempt status or assessment of additional tax. The IRS also periodically conducts intensive audits of select healthcare providers to determine whether the activities of these providers are consistent with their continued tax-exempt status. The IRS has indicated that, in certain circumstances, violation of the fraud and abuse statutes could constitute grounds for revocation of a health care facility's tax-exempt status.

Any suspension, limitation, or revocation of the tax-exempt status of the Institution or assessment of significant tax liability could have a material adverse effect on the Institution and might lead to loss of tax exemption of interest on the Series 2012 Bonds.

Revocation of the tax-exempt status of the Institution under Section 501(c)(3) of the Code could subject the interest paid to Bondholders to federal income tax retroactively to the date of the issuance of the Series 2012 Bonds. Section 501(c)(3) of the Code specifically conditions the continued exemption of all Section 501(c)(3) organizations upon the requirement, among others, that no part of the net earnings of the organization inure to the benefit of any private individual. Any violation of the prohibition against private inurement may cause the organization to lose its tax-exempt status under Section 501(c)(3) of the Code. The IRS has issued guidance in informal private letter rulings and general counsel memoranda on some situations that give rise to private inurement, but there is no definitive body of law and no regulations or public advisory rulings that address many common arrangements between exempt healthcare providers and nonexempt individuals or entities. While management believes that the Institution's arrangements with private persons and entities are generally consistent with guidance by the IRS, there can be no assurance concerning the outcome of an audit or other investigation given the lack of clear authority interpreting the range of activities undertaken by the Institution.

Intermediate sanctions legislation enacted in 1996 imposes penalty excise taxes in cases where an exempt organization is found to have engaged in an "excess benefit transaction" with a "disqualified person." Such penalty excise taxes may be imposed in lieu of revocation of exemption or in addition to such revocation in cases where the magnitude or nature of the excess benefit calls into question whether the organization functions as a public charity. The tax is imposed both on the disqualified person receiving such excess benefit and on any officer, director, trustee or other person having similar powers or responsibilities who participated in the transaction willfully or without reasonable cause, knowing it will involve "excess benefit." "Excess benefit transactions" include transactions in which a disqualified person receives unreasonable compensation for services or receives other economic benefit from the organization that either exceeds fair market value or, to the extent provided in regulations yet to be promulgated, is determined in whole or in part by the revenues of one or more activities of such organization. "Disqualified persons" include "insiders" such as board members and officers, senior management, and members of the medical staff, who in each case are in a position to substantially influence the affairs of the organization; their family members; and entities which are more than 35% controlled by a disqualified person. The legislative history sets forth Congress' intent that compensation of disqualified persons shall be presumed to be reasonable if it is: (1) approved by disinterested members of the organization's board or compensation committee; (2) based upon data regarding comparable compensation arrangements paid by similarly situated organizations; and (3) adequately documented by the board or committee as to the basis for its determination. A presumption of reasonableness will also arise with respect to transfers of property between the exempt organization and disqualified persons if a similar procedure with approval by an independent board is followed.

Although the Institution believes that the sanction of revocation of its tax-exempt status is likely to be imposed only in cases of pervasive excess benefits, the imposition of penalty excise tax in lieu of revocation, based upon a finding that the Institution engaged in an excess benefit transaction, is likely to result in negative publicity and other consequences that could have a materially adverse effect on the operations, property or assets of the Institution.

Tax Audits

Taxing authorities have recently been conducting general tax audits on non-profit organizations to confirm that such organizations are in compliance with applicable tax rules and in some instances have collected significant payments as part of the settlement process. Although the Institution is not the subject of any such audit at this time, there is no guarantee that it will not be the subject to such an audit in the future.

Secondary Market

There can be no assurance that there will be a secondary market for the purchase or sale of the Series 2012 Bonds. From time to time, there may be no market for the Series 2012 Bonds depending upon prevailing market conditions, including the financial condition or market position of firms who may make the secondary market, the evaluation of the Bank and/or the Institution's capabilities and the financial condition and results of operations of the Institution.

Bond Ratings

There can be no assurance that the ratings assigned to the Series 2012 Bonds at the time of issuance will not be lowered or withdrawn at any time, the effect of which could adversely affect the market price for, and marketability of, the Series 2012 Bonds.

Hedging Transactions

As described above under “INTRODUCTION – The Swap Agreement,” the Institution intends on entering into the Swap Agreement with respect to the Series 2012 Bonds which will terminate by its terms on September 12, 2015. Under certain circumstances, the Swap Agreement could terminate prior to its stated terminate date. Therefore, there can be no assurance that the Swap Agreement will remain in place for its term or that the Swap Agreement or any other hedging arrangement will be in place for the term of the Series 2012 Bonds.

The Institution may from time to time enter into other hedging arrangements to hedge the interest payable or manage interest cost on certain of its indebtedness, assets, or other derivative arrangements. Changes in the market value of such agreements could have a negative impact on the Institution’s operating results and financial condition, and such impact could be material. The Swap Agreement is, and any future hedging agreement may be, subject to early termination upon the occurrence of certain events. If either the Institution or the counterparty terminates the Swap Agreement or any hedge agreement entered into in the future when such agreement has a negative value to the Institution, the Institution could be obligated to make a substantial termination payment, which could materially adversely affect the financial condition of the Institution.

Sale of Homes

It is anticipated that many future residents of the Community will come from a personal residence. Many of these individuals may sell their current homes prior to occupancy to meet financial obligations under their Residency Agreements (as defined herein). If prospective residents encounter difficulties in selling their homes due to local or national economic conditions affecting the sale of residential real estate or otherwise, such prospective residents may not have sufficient funds to pay fees or other obligations under their Residency Agreements, thereby causing a delay in marketing vacated units. Any such delay could have an adverse impact on the revenues of the Institution and the ability of the Institution to pay debt service on the Series 2012 Bonds.

Organized Resident Activity

The Institution may, from time to time, be subject to pressure from organized groups of residents seeking, among other things, to raise the level of services or to maintain the level of monthly service fees or other charges without increase. While such pressure from small groups of residents is not unusual, no assurance can be given that such pressure will not escalate into more serious organized activity such as a general rent strike. Moreover, management of the Institution may be subject to conflicting pressures from different groups of residents, some of whom may seek an increase in the level of services while others wish to hold down monthly service fees and other charges. In such event, no assurance can be given that management of the Institution would be able satisfactorily to meet the needs of both groups. To the extent that the Institution were to be unable to do so, the number of residents who voluntarily withdraw from the Community may increase.

Unique Nature of the Community

The Community is not practically suited to alternative uses. As a result, the realization of revenues from the sale or leasing (upon foreclosure or otherwise) of the Community might thus be adversely affected.

PART 8 - THE INSTITUTION

Background and History

The Institution is a not-for-profit corporation organized and existing under the laws of the State of New York and exempt from federal income taxation under Section 501(a) of the Code as an organization described in Section 501(c)(3) of the Code. The Institution was formed to establish and operate the Community to serve senior citizens in Canandaigua, New York and surrounding areas. The Community was constructed on approximately 57 acres and consists of 84 independent living apartments, 48 enriched housing suites and related facilities.

The Institution was established in 1998 by its parent organization, F.F. Thompson Health System, Inc. (the “System”) to further the mission of the System to provide excellence in health care programs and services to the community. The System has been in existence since 1989. The Frederick Ferris Thompson Hospital was founded in 1904, and currently provides services to the more than 160,000 residents in its market area through five affiliates in addition to the Institution. See “Affiliated Corporations” below.

Organization and Governance

General

The System is the sole member of Institution and elects the Board of Directors of the Institution (the “Board”). In addition, under the Certificate of Incorporation of the Institution, as amended, the System has reserved to itself certain powers that the law otherwise grants to the Board, including the power: (1) to approve the statement of mission and philosophy of the Institution and require operation in conformance therewith; (2) to approve debt of the Institution and encumbrances on real estate to secure such debt in excess of an amount to be fixed from time to time by the System other than debt which is necessary to finance the cost of compliance with applicable legal standards; (3) to approve the sale, acquisition, lease, transfer, mortgage, pledge, or other alienation of real or personal property of the Institution in excess of an amount fixed by the System; (4) to approve the capital and operating budgets of the Institution; (5) to approve settlements of litigation in amounts in excess of applicable insurance coverage or applicable self-insurance funds; and (6) to approve the strategic plan of the Institution, subject to applicable regulations. Except as otherwise provided above, the affairs, property, business and policies of the Institution are under charge, control and direction of the Board. The bylaws of the Institution provide that the Board shall consist of 24 directors, including the President, as determined by the System, and shall be divided into three classes, to be elected in alternate years, one class each year to serve for a term of three years. The current Board consists of the following individuals:

<u>Name</u>	<u>Affiliation</u>	<u>Initial Appointment</u>	<u>Term Expiration*</u>
David Baum, MD <i>Ex Officio</i>	President, Medical Staff Thompson Health	N/A	N/A
James H. Barr	CPA, Mengel Metzger Barr & Co. LLP	2005	2014
Dianne Cooney Miner	Dean, Wegmans School of Nursing	2010	2013
Richard Cutri	Ret. Sr. Director of Corp. Business Strategy - Xerox	2006	2015
Michael Stapleton <i>Ex Officio</i>	President/CEO Thompson Health	N/A	N/A
Ellie Fralick	Retired	2006	2015
Randall Farnsworth	Randall Farnsworth Auto Group	2011	2014
Daniel Fuller	Bristol Mt. & Roseland Water Park	2012	2015
George W. Hamlin IV <i>Chair Emeritus</i>	President/CEO, Canandaigua National Bank & Trust	2004	2013
Frank Hamlin	Canandaigua National Bank & Trust	2012	2015
Richard H. Hawks	SVP, Chief Fiduciary Officer, Canandaigua National Bank	2005	2014

Paul Hudson	Chairman/CEO, Roberts Communication	2006	2015
William Kenyon <i>Chair</i>	Attorney, Kenyon and Kenyon	2004	2013
Ronald Knight	Ret. Group President/Chief of Staff for Harris Interactive Inc.	2004	2013
Tom Kubiak	Retired IT Director of Paychex	2007	2013
Brian Meath <i>Secretary</i>	General Counsel, Constellation Wines US	2007	2013
Fr. Thomas Mull	St. Mary's Church	2005	2014
Deborah Price	CPA, VP, Constellation Wines U.S.	2010	2013
Carl Sahler, M.D.	Canandaigua Medical Group	2004	2013
Robert Sands <i>Treasurer</i>	Owner, Constellation Brands, Inc.	2006	2015
Bradford Berk, M.D. Ph.D.	Senior VP for Health Sciences & CEO of Medical Center and Strong Health University of Rochester Medical Center	2012	2015
Steven Goldstein	President & CEO, Strong Memorial Hospital & Highland Hospital University of Rochester Medical Center	2012	2015
Raymond Mayewski, MD	Chief Medical Officer Strong Memorial Hospital & Highland Hospital University of Rochester Medical Center	2012	2015
Robert Latella	Attorney, Hiscock & Barclay, LLP	2012	2015
Roger Friedlander	Consultant, University of Rochester Medical Center	2012	2015

*Note: Appointment begins and ends in April of the year noted.

Committees of the Board

The bylaws of the Institution provide for an Executive Committee, a Finance Committee, an Audit Committee, an Ethics Committee, a Pension & Investment Committee, and a Quality Committee. The Executive Committee consists of the Chairman, Vice Chairman, President, Secretary and Treasurer of the Institution and such other members as the Board may appoint and is charged with the authority to transact regular business of the Institution between meetings of the Board and to coordinate the activities and policies of the Institution. The Nominating Committee and Compensation Committee are subcommittees of the Executive Committee and meet annually in accordance with the bylaws of the Institution.

Management

Michael Stapleton, President/CEO. Age 43. Mr. Stapleton joined the System in March 2011 as Executive Vice President/Chief Operation Officer and was appointed as President/CEO of the System on July 1, 2012. Previously he served as Chief Executive Officer for the Lakeside Health System (LHS) in Brockport, New York. After thirteen years at the University of Rochester

Medical Center, Mr. Stapleton joined LHS as Vice President of Patient Care Services and Chief Nursing Officer in 2007. He assumed the role of CEO in December, 2008. He holds a Master's Degree in Leadership in Healthcare Systems from the University of Rochester School of Nursing, as well as a Bachelor of Science in Nursing from Saint John Fisher College and a Bachelor's of Arts in Psychology from SUNY Oswego. Mr. Stapleton is a member of the American College of Healthcare Executives.

Dona Rickard, RN, LNHA, Senior Vice President of Senior Living Services. Age 69. Ms. Rickard has held various executive level positions in senior living facilities over the past 20 years. In 1991 she was appointed to the position of Vice President/Sr. Director of Nursing and Clinical Care Services at Unity Health System in Rochester, New York. Ms. Rickard held this position for ten years before moving to Ira Davenport Memorial Hospital/Skilled Nursing Facility in Bath, New York to take the position of Administrator of Continuing Care Services and Operations. Ms. Rickard joined the System as Senior Vice President of Senior Living Services in September 2011. Ms. Rickard holds a Master's of Science in Health Care Administration from SUNY Empire State College.

Gary Ross, Director of Ferris Hills at West Lake. Age 57. Mr. Ross joined the System in February 2007 as the Director of Ferris Hills and Clark Meadows. Mr. Ross is responsible for the overall administrative, fiscal, and operational aspects of the Community. Before joining the Institution, Mr. Ross was Director of Sales and Marketing at the Hyatt Regency, the Sheraton Hotel and Conference Center, and the Killington Grand Hotel and Conference Center. Mr. Ross has also served on the Board of Directors of the Canandaigua Chamber of Commerce and the Finger Lakes Visitors Connection.

Mark F. Prunoske, CHE, Senior Vice President of Finance/Chief Financial Officer. Age 39. Mr. Prunoske joined the System in 1997 as a Financial Analyst and became Director of Finance for the System in 2001. Mr. Prunoske assumed the responsibility of Chief Financial Officer for all of the System in June 2010. Mr. Prunoske is a member of the American College of Healthcare Executives and Healthcare Financial Managers Association. During his tenure with the System, Mr. Prunoske has been successful in automating its accounting systems, restructuring revenue cycle responsibilities, and helping secure financing for numerous capital projects. He holds a Master's Degree in Business Administration from the University of Rochester. Mr. Prunoske is the Treasurer of the Advisory Board for the Canandaigua Salvation Army, and a member of the Finance Committee of the Healthcare Association of New York State and Medicaid Managed Care Advisory Panel of New York State.

Employees

As of December 31, 2011, the Institution employed 55 full-time equivalent employees. Employees of the Institution receive a benefits package including vacation, health insurance and retirement benefits similar to those available to employees of the System and its Affiliates (as defined herein).

The Institution has no contracts with labor unions and is not aware of any organizing activity involving any group of its employees. The Institution has numerous long-term employees who form the backbone for resident services at the Community. This core of employees provides the stable nucleus needed to bring consistency to the day-to-day lives of the residents of the Community. Management encourages the employees to become involved at the Community and, as a result, management believes that the relationship between the residents and the employees is outstanding.

The System offers to eligible employees both a non-contributory defined benefit pension plan and a contributory deferred annuity plan (collectively, the "Plans"). Benefits under the Plans are based on each participant's years of service and compensation.

Affiliated Corporations

The System, a New York not-for-profit corporation exempt from federal income taxation as an organization described in Section 501(c)(3) of the Code, is the sole member of the Institution, the sole member of three other not-for-profit corporations and sole shareholder to two for-profit corporations. These corporations are referred to as "Affiliates" of the System and are described below. The Affiliates are each not-for-profit corporations and exempt from federal income taxation as organizations described in Section 501(c)(3) of the Code, except those designated by the asterisk (*), which are for-profit corporations organized under the laws of the State of New York. The System provides various administrative and other services to each of its Affiliates, including the Institution, each of which reimburses the System its proportionate share of such services. **Neither the System nor any Affiliate other than the Institution has any obligation for payment of Institution obligations relating to the Series 2012 Bonds or the Prior Bonds.**

The Frederick Ferris Thompson Hospital – a 113-bed acute care community hospital that offers a broad range of services. The hospital provides emergency and acute care services, and has recently added a 10-bed labor/delivery/recovery/post-partum (LDRP) unit, an ambulatory procedures unit, an endoscopy suite, and a new surgical suite. In 1998, the hospital was the first health care provider in New York State to receive Gold Level Certification with Distinction from Governor Pataki’s Empire State Advantage: Excellence at Work program.

M.M. Ewing Continuing Care Center, Inc. – a 188-bed long-term care and rehabilitation facility. The Continuing Care Center provides post-acute, rehabilitative, long-term care, medical adult day services and other related health services to the community. In 1998, the Continuing Care Center was the first health care provider in New York State to receive Gold Level Certification with Distinction from Governor Pataki’s Empire State Advantage: Excellence at Work Program.

The F.F. Thompson Foundation, Inc. – established to find philanthropic support for the services and priority needs of the System and its tax-exempt Affiliates and to oversee the management of restricted and unrestricted funds received by the Foundation.

*The Finger Lakes Community Care Network, Inc. – a preferred provider organization which brings together health care providers, insurers, businesses and consumers as partners for the purpose of providing the community access to quality, cost-effective health care.

*FFTH Properties, Incorporated – a corporation which plans, develops, owns and manages real estate operations related to the mission of the System.

Additionally, the System has entered into an affiliation agreement with the University of Rochester Medical Center and the University of Rochester (“UR”). It is anticipated that the affiliation will be finalized in September 2012. Under the terms of the affiliation agreement, UR will become the sole corporate member of the System.

Facilities

General

The Community’s common areas include a main lobby, main dining room, private dining room, living room, club room, multi-purpose activity room, café/deli, crafts/activities room, beauty/barber shop, computer/business center, fitness spa, therapy suite, convenience store and administrative office areas. The monthly service fee along with the payment of the entrance fee covers the following basic services: one meal credit daily, scheduled weekly housekeeping and flat linen service, all utilities (except telephone), basic cable television, security monitoring, scheduled transportation, maintenance of the apartment, and activities and wellness programming. Residents may purchase optional services for an additional fee which includes additional housekeeping, laundry service for personal items, catering for special occasions, tray service when medically advisable, additional and guest meals, and additional storage.

Independent Living Apartments

The independent living apartments are full-sized apartment homes ranging from approximately 605 square feet to approximately 1,360 square feet. Every independent living apartment home is equipped with the following furnishings: mini-blinds; wall-to-wall carpeting, except in the kitchen and bathroom(s); a complete kitchen with self-defrosting refrigerator and freezer with ice maker, range with oven, microwave oven, dishwasher, garbage disposal; washer/dryer; fire and smoke alarms; fire sprinkler system; individually controlled heating and air conditioning; and a balcony or patio. Telephone, computer modem and cable television jacks are also installed.

This portion of the Community is open to persons at least 62 years of age who are able to live independently and demonstrate an ability to meet their financial obligations as residents, and applications for residency are accepted based upon eligibility and availability of units without regard to gender, race, nationality or religion.

Enriched Housing

The enriched housing units are designed for residents who require varying amounts of basic functional assistance. These units consist of private apartments that range in size from approximately 440 square feet to approximately 650 square feet with full

baths and a kitchenette, furnished with appliances including a refrigerator, microwave oven and sink. The related common areas include a lobby, lounge, library, visiting room, multipurpose room, dining room and administrative and support areas. Enriched housing residents receive the same services as the independent living residents plus two additional meals and snacks daily, assistance with activities of daily living needs, as required and allowed by licensure, personal laundry services and an around-the-clock attendant on duty.

The enriched housing portion of the Community is open to persons at least 62 years of age who need assistance with activities of daily living but do not need medical care and who demonstrate an ability to meet their financial obligations as residents. Applications for residency are accepted based upon eligibility and availability of units without regard to gender, race, nationality or religion.

Statements of Operations

The financial statements of the Institution are prepared for a fiscal year ending December 31. The summaries of financial performance set forth below for the fiscal years ended December 31, 2007 through 2010, inclusive, are based on the audited financial statements of the Institution for such fiscal years. The summary of financial performance set forth below for the fiscal year ended December 31, 2011 is based on the unaudited financial statements of the Institution for such fiscal year. The audited financial statements of the Institution as of December 31, 2010 are included as Appendix B-1. The unaudited financial statements of the Institution as of December 31, 2011 are included as Appendix B-2. The summaries of financial performance for the periods ending June 30, 2011 and June 30, 2012 set forth below are derived from the Institution's internally prepared unaudited financial statements. The data for these six-month periods reflect, in the opinion of management, all adjustments (which include normal recurring adjustments) necessary to summarize fairly the results for such periods. The results for the six-month period ending June 30, 2012 should not be considered as indicative of the results for the full fiscal year.

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	Fiscal Year Ended December 31,					Six Months Ended June 30	
	2007	2008	2009	2010	2011	2011	2012
Revenues:							
Resident rental revenue	\$4,587,009	\$4,465,401	\$4,768,671	\$4,908,694	\$4,711,644	\$2,422,978	\$2,323,991
Resident benefit allowance	(12,158)	(19,077)	(19,463)	(19,241)	(26,988)	(12,659)	(9,898)
Other revenue	97,092	101,463	107,267	105,659	132,666	52,931	54,293
Total revenues	\$4,671,943	\$4,547,787	\$4,856,475	\$4,995,112	\$4,817,322	\$2,463,250	\$2,368,386
Operating Expenses							
Salaries and wages	\$1,497,922	\$ 1,514,133	\$1,523,359	\$1,552,752	\$1,579,969	\$ 749,754	\$ 787,944
Employee benefits	281,614	290,592	307,352	320,468	338,855	177,614	212,478
Supplies and other	1,517,106	1,707,615	1,605,370	1,715,313	1,834,078	715,358	738,005
Interest	652,218	637,233	621,415	254,989	55,930	207,143	293,382
Depreciation and amortization	1,170,960	1,192,387	1,094,676	1,028,302	931,118	461,371	409,988
Health System member assessment	315,440	198,524	222,461	338,019	344,397	160,709	204,116
Total operating expenses	\$5,435,260	\$ 5,540,484	\$5,374,633	\$5,209,843	\$5,084,347	\$2,471,949	\$2,645,913
Operating Loss	\$(763,317)	\$ (992,697)	\$(518,158)	\$(214,731)	\$(267,025)	\$(8,699)	\$(277,527)
Non-Operating revenue							
Investment income	\$ 240,621	\$ 133,695	\$ 84,158	\$ 121,802	\$ 243,172	\$ 184,101	\$ 37,296
Change in net unrealized gains on investments	14,740	(221,134)	164,311	102,465	(173,560)	(118,683)	80,012
Deficiency of revenue over expenses	\$(507,956)	\$(1,080,136)	\$(269,689)	\$ 9,536	\$(197,413)	\$ 56,719	\$(160,219)
Change in minimum pension liability	\$ 19,933	\$ (44,835)	\$ (5,935)	\$ (58,029)	\$ (54,015)	\$ -	\$ -
(Increase)/decrease in unrestricted net deficit	\$(488,023)	\$(1,124,971)	\$(275,624)	\$ (48,493)	\$(251,428)	\$ 56,719	\$(160,219)

Management Discussion

The following discussion of operations reviews the operating results and the financial condition of the Institution.

Year Ended December 31, 2010

For the fiscal year ended December 31, 2010, resident rental revenue totaled \$4,908,694, an increase of 2.9% from 2009. Operating expenses totaled \$5,209,843, a decrease of 3% from 2009. Independent Living ended 2010 with 70 of 84 apartments occupied while Enriched Living ended the year with 42 of 48 apartments occupied. The Prior Bonds were reoffered during 2010 and converted from a Term Rate Mode to a Weekly Rate Mode in order to take advantage of the low interest rate environment. During 2010, management implemented several occupancy enhancements initiatives. These initiatives ranged from allowing existing residents use of their entrance fee to offset monthly fees due to financial hardship to allowing a new resident the flexibility to pay their entrance fee over an extended period of time.

Year Ended December 31, 2011

For the fiscal year ended December 31, 2011, resident rental revenue totaled \$4,711,644, a decrease of 4% from 2010. Operating expenses totaled \$5,084,347, a decrease of 2.4% from 2010. Independent Living ended 2010 with 67 of 84 apartments occupied while Enriched Living ended the year with 38 of 48 apartments occupied. During the year, the community experienced very high turnover in both Independent and Enriched Living. Despite 25 move-ins to Independent living, overall occupancy dropped by three units during the year. Enriched Living had 59 move-ins during the year; however it experienced move outs totaling 63, a net loss of 4 units. As of December 31, 2011, the Institution had an unrestricted net asset deficit of (\$7,139,994). Management increased its marketing budget, promoting the community via paper, radio and television advertising to increase admissions to meet the high turnover at the community.

Six Months Ended June 30, 2012

For the six months ended June 30, 2012, resident rental revenue totaled \$2,323,991, a decrease of 4% from the six months ended June 30, 2011. Operating expenses totaled \$2,645,913, an increase of 7% from the 2011 spending levels. Independent Living ended June 30th with 67 of 84 apartments occupied while Enriched Living ended the year with 39 of 48 apartments occupied. Occupancy for the first six months of the year remained stable as increased marketing and sales efforts continued. Management has engaged a consultant to review the operations at the community with a focus on the sales and marketing programs.

Licenses, Accreditations and Memberships

The Institution is approved by the New York State Department of Health to operate the Enriched Housing Units in the Community under the New York State Enriched Housing Program. See “Facilities - Enriched Housing” above.

Insurance

The Institution maintains comprehensive general liability insurance, property insurance, umbrella coverage, business interruption insurance and workers’ compensation insurance, and has agreed to maintain such other insurance as may be required by the Authority and appropriate for the operation of a senior living community. Insurance is required to be maintained with insurers duly licensed in the State of New York in coverage amounts that management deems adequate to insure against risks of the operations of the Institution and appropriate for organizations similar to the Institution.

Litigation

There are no lawsuits or other proceedings pending or, to the knowledge of management of the Institution, threatened with respect to the Institution, the Community, the System or any Affiliate that could materially adversely affect the financial condition of the Institution, the Community or its operations.

Residency Agreement

General

Under New York law, the Institution’s offering plan containing complete disclosure regarding the Community, its operation and the nature of the resident’s commitment, approved by the Attorney General of New York State, must be provided to each prospective resident before the resident signs a residency agreement (the “Residency Agreement”) or transfers money to the Institution as a deposit. Applications for residency at the Community are accepted based upon eligibility and availability of units without regard to gender, race, nationality or religion.

The Residency Agreement sets forth all of the terms and conditions of the contract for the independent living apartments and the enriched housing units, as applicable, including without limitation the terms of payment of the initial deposit and monthly service fees, the circumstances under which the deposit is refundable and provisions for termination of the Residency Agreement by the resident or by the Institution.

The Residency Agreement provides that each resident is required to enroll in Medicare Parts A and B and any future program that may be offered by Medicare or in an acceptable equivalent program and maintain in effect supplemental Medicare insurance coverage. Residents not qualifying for Medicare coverage because of age are required to maintain comprehensive health coverage satisfactory to the Institution.

Each resident agrees to make a temporary or permanent transfer to an enriched housing unit, if deemed appropriate, in the event that the Institution determines that such resident is unable to live independently in his or her independent living apartment. To the extent feasible, the Institution makes all determinations concerning temporary or permanent transfers in consultation with the resident, family members or representatives, the resident's attending physicians, and the Community's medical advisor.

If an independent living apartment is occupied by two persons and one surrenders possession of the apartment other than by death or by transfer to the other resident, the obligations of the person remaining in the unit under the Residency Agreement remain in legal force and effect, except that the monthly service fee will be adjusted to reflect the single occupancy rate then in effect for the apartment. No refund of the Entrance Fee (as defined herein) will occur until the remaining person leaves and the apartment is occupied by a new resident.

If a resident, while at the Community, marries an individual who does not meet the residency requirements for the Community, the Institution, in its sole discretion, may allow such person to reside at the Community and pay the appropriate second person monthly service fee, provided, however, that such person will not have any rights, privileges or protection under the Residency Agreement.

Fees and Monthly Charges

General

Pricing is geared toward local/primary market senior economic characteristics to offer value and to be competitive. The resident fee structure is designed to be affordable to the greatest number of seniors possible, yet still result in a financially viable project. Prices are intended to be competitive within the Institution's primary market area, based upon the economic characteristics of senior citizens in that market as there are no directly competitive projects. Independent living apartment residents pay an initial Entrance Fee (the "Entrance Fee") upon occupancy and ongoing monthly service fees. The Entrance Fee paid by a resident is 100% refundable to the resident or resident's estate when the Residency Agreement is terminated and the unit is reoccupied, regardless of how long the resident stays. Direct entrants into enriched housing units pay monthly service fees but are not charged Entrance Fees.

Independent Living Apartment Monthly Service Fees

The monthly service fee for an independent living apartment ranged from \$1,957 to \$3,768 for 2012, depending on type of apartment selected. An additional monthly service fee of \$736 is charged for a second person residing in the apartment. The monthly service fees are established annually.

Independent Living Apartment Entrance Fees

In 2012, the Entrance Fees range from \$99,923 to \$269,996 for independent living apartments, depending on the type of apartment selected. The purpose of the Entrance Fee is to allow for lower monthly service fees since seniors are typically more income constrained than asset constrained. The Entrance Fee is likely to be paid by the resident out of the proceeds from the sale of a home sold just prior to occupancy in the Community. The Entrance Fee for an independent living apartment is not refundable until resale of the independent living apartment to a new resident.

Enriched Housing Monthly Service Fees

Residents of enriched housing only pay an ongoing monthly service fee and no Entrance Fee. In the event of transfer from independent living, a resident will be required to pay a monthly market rate for the enriched housing unit in addition to the independent living monthly service fee that continues until release of the independent living apartment. Monthly service fees for enriched housing in 2012 range from \$4,005 to \$5,113 and are established annually.

The current square footage and fee information with respect to the residences offered at the Community are as follows:

	<u>Number of Units</u>	<u>Square Footage</u>	<u>Entrance Fee</u>	<u>Monthly Service Fee</u>
<u>Independent Living Apartments</u>				
One Bedroom Traditional	12	605	\$ 99,923	\$1,957
One Bedroom Deluxe	24	740	149,966	2,407
Two Bedroom Special	18	920	202,424	3,014
Two Bedroom Classic	12	1,010	209,980	3,162
Two Bedroom Custom	15	1,250	239,918	3,463
Two Bedroom Grand	<u>3</u>	1,360	269,996	3,768
Total	84			
Additional Resident Fee			N/A	\$736
<u>Enriched Housing Units</u>				
Alcove Deluxe	16	440	N/A	\$4,005
One Bedroom	26	540	N/A	4,557
One Bedroom Custom	<u>6</u>	650	N/A	5,113
Total	48			
Additional Person Fee				\$978

Historic Occupancy

General

The average occupancy percentages for the independent living units and enriched housing units in the Community, for the fiscal years ended December 31, 2007 through 2011, inclusive, and as of June 30, 2012, are set forth below.

<u>Type of Unit</u>	<u>Year Ended December 31,</u>				<u>2011</u>	<u>6 Months Ended June 30, 2012</u>
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>		
Independent Living Apartments	94%	89%	85%	82%	82%	80%
Enriched Living Apartments	79	77	85	90	79	81

Prior Occupancy Targets

The Prior Bonds were secured by an irrevocable direct-pay letter of credit issued by KBC Bank, N.V. pursuant to a Reimbursement, Credit and Security Agreement dated as of May 31, 2000, as amended and supplemented (as so amended and supplemented, the "Prior Reimbursement Agreement"). The Institution was out of compliance with certain occupancy targets (the "Prior Occupancy Targets") measured as of September 30th and December 31st, 2011, which constituted an event of default under the Prior Reimbursement Agreement. Upon the issuance of the Series 2012 Bonds, the Prior Reimbursement Agreement will be terminated and the Institution will no longer be subject to the Prior Occupancy Targets. While the Series 2012 Bonds remain secured by the Letter of Credit, the Institution will be subject to the Occupancy Ratio requirements under the Loan Agreement. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2012 BONDS – Maintenance Covenants" herein.

Market Area

The Community is located in the Town of Canandaigua, New York. The city of Canandaigua is the county seat of Ontario County, New York. Canandaigua is located in New York's scenic Finger Lakes region and is identified strongly with Canandaigua Lake, a popular location for summer vacation homes. The Community is located 27 miles from the center of downtown Rochester, New York, the closest metropolitan area, and convenient to the business opportunities of Rochester. Major employers in Ontario County include: Thompson Health, Pactiv Corporation, Ontario County, Veterans Administration Medical Center, Finger Lakes Community College, Clifton Springs Hospital, Hobart and William Smith Colleges, Geneva General Hospital, Constellation Brands, Canandaigua Central Schools, and G.W. Lisk.

Ontario County is the fastest growing county in the metropolitan Rochester area, having experienced 7.7% growth from 2000 to 2010. The median home value in the primary market area was \$129,600 in 2010, which is below the New York median of \$303,900.

The Community's primary market area covers Ontario County, particularly the communities of Canandaigua, Victor, Naples, Farmington, Bloomfield, Honeoye, and Shortsville. The target population for independent living is the population age 75 years and older. Average age of residents in the independent living units is 86.6 years.

Competition

Located a few blocks from F. F Thompson Hospital is a senior community named Quail Summit. This facility opened in the fall of 2000 and consists of 58 independent living units, 28 enriched living units and 22 private studios for memory impaired/dementia residents. This community has no entrance fees. Monthly fees for the independent living units range from \$2,550 to \$3,500. The enriched living units have monthly fees of \$3,710 to \$4,100, with a care package at an additional charge. Dementia care in a private studio is \$4,500 per month. Average occupancy as of June 2012 was at 88% for independent living, 78% for enriched living and 94% for memory impaired/dementia residents.

There are four senior apartment complexes located within the City of Canandaigua, New York which serve lower and lower-middle income seniors. These four complexes maintain a total of 350 units with no entrance fee and monthly fees of \$700 or less. Occupancy at these complexes is high and the majority maintain waiting lists. Admission to these complexes, which do not offer services or enriched housing accommodations, is restricted to seniors below certain income level. Management does not consider these complexes to be direct competitors to the Community.

There is one market rate senior rental apartment project located in Canandaigua consisting of 32 units which maintains an average occupancy of 95%. There are no entrance fees and monthly fees currently range from \$585 to \$845 per month. This facility offers no services or enriched housing accommodations, and therefore management of the Institution does not consider this facility to be a direct competitor of the Community.

The next closest residential facility for senior citizens is located approximately twelve miles from the Community in Clifton Springs, which is considered outside of the Institution's primary market. This facility, which consists of 79 apartments, also has no entrance fee and monthly fees ranging from \$525 to \$778 per month.

PART 9 - 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:

<u>Public Programs</u>	<u>Bonds Issued</u>	<u>Bonds Outstanding</u>	<u>Notes Outstanding</u>	<u>Bonds and Notes Outstanding</u>
State University of New York Dormitory Facilities	\$ 2,738,656,000	\$ 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.....	<u>1,146,845,000</u>	<u>717,200,000</u>	<u>0</u>	<u>717,200,000</u>
Totals Public Programs.....	<u>\$59,749,553,036</u>	<u>\$27,480,371,924</u>	<u>\$ 0</u>	<u>\$27,480,371,924</u>

<u>Non-Public Programs</u>	<u>Bonds Issued</u>	<u>Bonds Outstanding</u>	<u>Notes Outstanding</u>	<u>Bonds and Notes Outstanding</u>
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	<u>95,000,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
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:

<u>Public Programs</u>	<u>Bonds Issued</u>	<u>Bonds Outstanding</u>
Mental Health Services Improvement Facilities	<u>\$ 3,817,230,725</u>	<u>\$ 0</u>
<u>Non-Public Programs</u>	<u>Bonds Issued</u>	<u>Bonds Outstanding</u>
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 ...	<u>2,414,240,000</u>	<u>2,790,000</u>
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 Jaeckle Fleischmann & Mugel, 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, New York. 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. Romski 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. Ms. Wallace is responsible for strategic efforts in program development, including maximizing the utilization of Minority and Women Owned Businesses, sustainability, training and marketing, as well as communicating with DASNY's clients, vendors, the public and governmental officials. She has more than 20 years of senior leadership experience in diverse private sector telecommunications businesses and civic organizations.

Ms. Wallace holds a Bachelor's Degree from Pepperdine University and a Master's Degree in Public Administration from Columbia University.

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 are 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

In the opinion of Squire Sanders (US) LLP, under existing law: (i) 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"), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; and (ii) interest on the Series 2012 Bonds is exempt from personal income taxes imposed by the State of New York and political subdivisions thereof, including The City of New York and the City of Yonkers. Bond Counsel expresses no opinion as to any other tax consequences regarding the Series 2012 Bonds.

The opinion on tax matters will be based on and will assume the accuracy of certain representations and certifications, and continuing compliance with certain covenants, of the Authority and the Institution contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the Series 2012 Bonds are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. In addition, Bond Counsel has relied on, among other things, the opinion of Harris Beach PLLC, counsel to the Institution, regarding the current status of the Institution as an organization described in Section 501(c)(3) of the Code, which opinion is subject to a number of qualifications and limitations. Bond Counsel has not given any opinion or assurance concerning Section 513(a) of the Code or the effect of any future activities of the Authority or the Institution. Failure of the Institution to maintain its status as an organization described in Section 501(c)(3) of the Code, or to operate the facilities financed by the Series 2012 Bonds in a manner that is substantially related to the Institution's charitable purpose under Section 513(a) of the Code, may cause interest on the Series 2012 Bonds to be included in gross income retroactively to the date of the issuance of the Series 2012 Bonds. Bond Counsel will not independently verify the accuracy of the Authority's and the Institution's certifications and representations or the continuing compliance with the Authority's and the Institution's covenants and will not independently verify the accuracy of the opinion of the Institution's counsel.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel's legal judgment as to exclusion of interest on the Series 2012 Bonds from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service ("IRS") or any court. Bond Counsel expresses no opinion about (i) the effect of future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and the enforcement of the Code or those regulations by the IRS.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which require future or continued compliance after issuance of the obligations. Noncompliance with these requirements by the Authority or the Institution may cause loss of such status and result in the interest on the Series 2012 Bonds being included in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2012 Bonds. The Institution and, subject to certain limitations, the Authority have each covenanted to take the actions required of it for the interest on the Series 2012 Bonds to be and to remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion. After the date of issuance of the Series 2012 Bonds, Bond Counsel will not undertake to determine (or to so inform any person) whether any actions taken or not taken, or any events occurring or not occurring, or any other matters coming to Bond Counsel's attention, may adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series 2012 Bonds or the market value of the Series 2012 Bonds.

A portion of the interest on the Series 2012 Bonds earned by certain corporations may be subject to federal corporate alternative minimum tax. In addition, interest on the Series 2012 Bonds may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations. Under the Code, the exclusion of interest from gross income for federal income tax purposes may have certain adverse federal income tax consequences on items of income, deduction or credit for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. The

applicability and extent of these and other tax consequences will depend upon the particular tax status or other tax items of the owner of the Series 2012 Bonds. Bond Counsel will express no opinion regarding those consequences.

Payments of interest on tax-exempt obligations, including the Series 2012 Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If a Bond owner is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the State legislature. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Series 2012 Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Series 2012 Bonds will not have an adverse effect on the tax status of interest on the Series 2012 Bonds or the market value or marketability of the Series 2012 Bonds. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or repeal (or reduction in the benefit) of the exclusion of interest on the Series 2012 Bonds from gross income for federal or state income tax purposes for all or certain taxpayers.

For example, both the American Jobs Act of 2011 proposed by President Obama on September 12, 2011, and introduced into the Senate on September 13, 2011, and the federal budget for fiscal year 2013 as proposed by President Obama on February 13, 2012, contain provisions that could, among other things, result in additional federal income tax for tax years beginning after 2012 on taxpayers that own tax-exempt obligations, including the Series 2012 Bonds, if they have incomes above certain thresholds.

Prospective purchasers of the Series 2012 Bonds should consult their own tax advisers regarding pending or proposed federal and state tax legislation and court proceedings, and prospective purchasers of the Series 2012 Bonds at other than their original issuance at their par amounts should also consult their own tax advisers regarding other tax considerations such as the consequences of market discount, as to all of which Bond Counsel expresses no opinion.

Bond Counsel's engagement with respect to the Series 2012 Bonds ends with the issuance of the Series 2012 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority, the Institution or the owners of the Series 2012 Bonds regarding the tax status of interest thereon in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Series 2012 Bonds, under current IRS procedures, the IRS will treat the Authority as the taxpayer and the beneficial owners of the Series 2012 Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including but not limited to selection of the Series 2012 Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market value of the Series 2012 Bonds.

PART 13 - STATE NOT LIABLE ON THE SERIES 2012 BONDS

The Act provides that notes and bonds of the Authority are not a debt of the State, that the State is not liable on them and that such notes and bonds are not payable out of any funds other than those of the Authority. The Resolutions specifically provide that the Series 2012 Bonds are not a debt of the State and that the State is not liable on them.

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 Squire Sanders (US) LLP, New York, New York, Bond Counsel to the Authority, whose approving opinion will be delivered with the issuance of the Series 2012 Bonds. The proposed form of the approving opinion is set forth in Appendix F hereto.

Certain legal matters will be passed upon for the Institution by its counsel, Harris Beach PLLC, Rochester, New York. Certain legal matters will be passed upon for the Underwriter by its counsel, Bond, Schoeneck & King, PLLC, Syracuse, New York. Certain legal matters will be passed upon for the Bank by its counsel, Harter Secrest & Emery LLP, Rochester, 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 - RELATIONSHIPS

In connection with the issuance of the Series 2012 Bonds, the Institution will enter into a hedging transaction with HSBC Bank USA, National Association. HSBC Bank USA, National Association is additionally providing the Letter of Credit. See "PART 1 – INTRODUCTION – The Letter of Credit" and "The Swap Agreement."

PART 17 - UNDERWRITING

KeyBanc Capital Markets Inc. (the "Underwriter") has agreed, subject to certain conditions, to purchase the Series 2012 Bonds from the Authority at an aggregate purchase price of \$14,581,280.00, representing the par amount of the Series 2012 Bonds (\$14,680,000) minus the Underwriter's discount (\$98,720), and to make a public offering of the Series 2012 Bonds at par. 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.

KeyBanc Capital Markets Inc. is also serving as Remarketing Agent with respect to the Series 2012 Bonds.

PART 18 - CONTINUING DISCLOSURE

In order to assist the Remarketing Agent in complying with Rule 15c2-12 promulgated by the United States Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as amended (the "Rule"), 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, as soon as possible with respect to the fiscal year ending December 31, 2011 and not later than 150 days after the end of each fiscal year of the Institution, commencing with the fiscal year ending December 31, 2012, for filing by DAC with the Municipal Securities Rulemaking Board ("MSRB") and its Electronic Municipal Market Access system ("EMMA") for municipal securities disclosures, on an annual basis, operating data and financial information of the type hereinafter described which is included in "PART 8 – THE INSTITUTION" (the "Annual Information"), together with the Institution's annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America and audited by an independent firm of certified public accountants in accordance with auditing standards generally accepted in the United States of America; provided, however, that if audited financial statements are not then available, unaudited financial statements shall be delivered to DAC for delivery to the MSRB.

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, within 10 days of the occurrence of a Notice Event (as hereinafter defined), the notices required to be provided by the Rule and

described below (the “Notices”). In addition, the Authority and the Trustee have undertaken, for the benefit of the Bondholders, to provide such Notices to DAC, should 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 promptly file the Notices with the MSRB. 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, the Authority or the Trustee 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, annual 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, the Trustee and the Authority with respect to their respective obligations under the Continuing Disclosure Agreement. In the event the obligations of DAC as the Authority’s disclosure dissemination agent terminate, the Authority will either appoint a successor disclosure dissemination agent or, alternatively, assume all responsibilities of the disclosure dissemination agent for the benefit of the Bondholders.

The Annual Information means annual information concerning the Institution, consisting of (1) financial and operating data of the type included in this Official Statement, which shall include information as described in “PART 8 – THE INSTITUTION” herein relating to the following: (i) data of the type set forth under the heading “Fees and Monthly Charges,” (ii) revenue and expense data of the type set forth under the heading “Statements of Operations”; and (iii) data of the type set forth under the heading “Historic Occupancy,” together with (2) such narrative explanation, as may be necessary to avoid misunderstanding regarding the presentation of financial and operating data concerning the Institution.

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, IRS notices or events affecting the tax 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) merger, consolidation or acquisition of the Institution, if material; and (15) appointment of a successor or additional trustee, or the change in name of a trustee, if material. 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 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. DAC 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 Outstanding 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 or the Loan Agreement. In addition, if all or any part of Rule 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 the Rule 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.

The Institution has been in compliance with its continuing disclosure obligations for each of the prior five years.

PART 19 - RATINGS

Moody's Investors Service, Inc. ("Moody's") has assigned ratings of "A1/VMIG1" to the Series 2012 Bonds, with the understanding that upon delivery of the Series 2012 Bonds, the Letter of Credit will be issued by the Bank. Such ratings reflect only the views of such organization and any desired explanation of the significance of such ratings should be obtained from Moody's at 7 World Trade Center at 250 Greenwich Street, Public Finance Group – 23rd Floor, New York, New York 10007. There is no assurance that such ratings will prevail for any given period of time or that they will not be revised downward or withdrawn entirely by any or all of the rating agencies then rating the Series 2012 Bonds if, in the judgment of any or all of them, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2012 Bonds.

PART 20 - MISCELLANEOUS

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

The agreements of the Authority with Holders of the Series 2012 Bonds are fully set forth in the Resolution, the Series Resolution and the Bond Series Certificate. 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 was supplied by the Institution. The Authority believes that this information is reliable, but the Authority makes 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 as to the accuracy or completeness of this information.

The Bank has reviewed the parts of this Official Statement describing the Letter of Credit, the Reimbursement Agreement and the Bank. The Bank shall certify as of the date of this Official Statement and the date of delivery of the Series 2012 Bonds that the information contained herein describing the Bank, the Letter of Credit and the Reimbursement Agreement is true and correct in all material respects provided, however, that the financial information relating to the Bank fairly presents the financial condition of the Bank only as of the dates and for the periods indicated and, to the best knowledge of the Bank, there has been no material adverse change in the financial condition, taken as a whole, of the Bank since such dates. The Bank makes no representations as to the accuracy or completeness of any other information included in this Official Statement.

The audited financial statements of the Institution as of December 31, 2010 attached as Appendix B-1 have been audited by Bonadio & Co., LLP, independent accountants, as stated in their report appearing therein.

The unaudited financial statements of the Institution as of December 31, 2011 attached as Appendix B-2 have been prepared by the Institution.

“Appendix A - Certain Definitions,” “Appendix C - Summary of Certain Provisions of the Loan Agreement,” “Appendix D - Summary of Certain Provisions of the Resolutions” and “Appendix F - Form of Approving Opinion of Bond Counsel” have been prepared by Squire Sanders (US) LLP, New York, New York, Bond Counsel to the Authority.

“Appendix E - Summary of Certain Provisions of the Reimbursement Agreement” has been prepared by Harter Secrest & Emery LLP, Rochester, New York, Bank Counsel.

The Institution has reviewed the parts of this Official Statement describing the Institution, the Principal and Interest Requirements, the Refunding Plan, the Swap Agreement, the Estimated Sources and Uses of Funds and Bondholder Considerations. The Institution, as a condition to issuance of the Series 2012 Bonds, is required to certify that as of the date of this Official Statement, such parts do not contain any untrue statement of a material fact and do not omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading.

The Institution has agreed to indemnify the Authority, the 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

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CERTAIN DEFINITIONS

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CERTAIN DEFINITIONS

In addition to the other terms defined in this Official Statement, when used in the summaries of certain provisions of the Loan Agreement, the Resolutions and the Bond Series Certificate, 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 Applicable Series Resolution authorizing such Capital Appreciation Bond or the Applicable 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.

Annual Administrative Fee means the fee payable during each Bond Year by the Institution for the general administrative and supervisory expenses of the Authority as more particularly described in Exhibit B of the Loan Agreement.

Applicable means (i) with respect to any Construction Fund, Arbitrage Rebate Fund, Debt Service Fund, Debt Service Reserve Fund, or any other fund or account therein, the fund or account so designated and established by an Applicable Series Resolution or Bond Series Certificate authorizing an Applicable Series of Bonds, (ii) with respect to any Debt Service Reserve Fund Requirement, the said requirement established in connection with a Series of Bonds by the Applicable Series Resolution or Bond Series Certificate, (iii) with respect to any Series Resolution, such Series Resolution relating to an Applicable Series of Bonds, (iv) with respect to any Series of Bonds, the Series of Bonds issued under a Series Resolution, (v) with respect to any Loan Agreement, such Loan Agreement by and between the Authority and the Institution and the contractual obligations contained therein, (vi) with respect to a Bond Series Certificate, such certificate authorized pursuant to an Applicable Series Resolution, (vii) with respect to any Credit Facility, Liquidity Facility or Reserve Fund Facility and Provider thereof, if any, such Credit Facility, Liquidity Facility, Reserve Fund Facility or Provider relating to an Applicable Series of Bonds and (viii) with respect to any other item or document, agreement or instrument, such other item or document, agreement or instrument relating to an Applicable Series of Bonds.

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 Applicable Series Resolution authorizing such Deferred Income Bond or the Applicable Bond Series Certificate relating thereto 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 with respect to each Series of Bonds the fund so designated and established pursuant to the Resolution.

Assignment Agreement means that certain Assignment Agreement among the Authority, the Credit Facility Provider and the Trustee, which Assignment Agreement has been acknowledged and consented to by the Institution.

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 Available Moneys Account means the account so designated and established within the Purchase and Remarketing Fund pursuant to Section 5.02 of the Bond Series Certificate.

Authority Fee means a fee payable to the Authority consisting of all of the Authority's internal costs and overhead expenses attributable to the issuance of the Bonds and the construction of the Project financed thereby as more particularly described in Exhibit C of the Loan Agreement.

Authorized Newspaper means *The Bond Buyer* or any other newspaper of general circulation printed in the English language and customarily published at least once a day for at least five (5) days (other than legal holidays) in each calendar week in the Borough of Manhattan, City and State of New York, designated by the Authority.

Authorized Officer means (i) in the case of the Authority, the Chair, the Vice-Chair, the Treasurer, an Assistant Treasurer, the Secretary, an Assistant Secretary, the Executive Director, the Deputy Executive Director, the Chief Financial Officer, the Managing Director of Public Finance and Portfolio Monitoring, the Managing Director of Construction 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.

Available Moneys means, (a) whenever a Liquidity Facility is required by the Bond Series Certificate to be maintained for the Series 2012 Bonds:

(i) proceeds of any Series of Bonds, including, without limitation, Refunding Bonds, or proceeds of other bonds, notes or obligations, issued to refund the Series 2012 Bonds expressly available to pay the principal or Redemption Price of or interest on the Series 2012 Bonds, provided that, as to such proceeds, an opinion of counsel experienced in bankruptcy matters is delivered to the Trustee and each Rating Service then rating the Series 2012 Bonds to the effect that the payment of such proceeds to the holders of the Series 2012 Bonds would not constitute transfers avoidable under 11 U.S.C. § 547(b) and recoverable from the holders of the Series 2012 Bonds under 11 U.S.C. § 550(a) if the Authority or the Institution were the debtor in a case under the Bankruptcy Code;

(ii) money derived from drawings under the Credit Facility or Liquidity Facility relating to the Series 2012 Bonds and the investment earnings thereon that are not commingled with any other moneys,

(iii) with respect to Option Bonds, moneys derived from the remarketing of such Bonds that are directly paid to and held by the Tender Agent for the payment of the Purchase Price of such Bonds in accordance herewith,

(iv) money held by the Trustee (other than in the Arbitrage Rebate Fund or the Credit Facility Repayment Fund) and subject to a first-priority perfected lien under the Resolution for a period of at least 123 days (or, in the case of any money provided by a person that is an "insider" of the Institution under 11 U.S.C. §101(31), one year) and not commingled with any moneys so held for less than said period and during which period no petition in bankruptcy was filed by or against, and no receivership, insolvency,

assignment for the benefit of creditors or other similar proceeding has been commenced by or against, the Authority or any Institution unless such petition or proceeding was dismissed and all applicable appeal periods have expired without an appeal having been filed, and the investment earnings thereon, that are not commingled with any other moneys, or

(v) any money as to which an opinion of counsel experienced in bankruptcy matters is delivered to the Trustee and each Rating Service to the effect that the payment of such moneys to the holders of the Bonds as debt service or as the Purchase Price would not constitute transfers avoidable under 11 U.S.C. § 547(b) and recoverable from the holders of the Bonds under 11 U.S.C. § 550(a) if the Authority or the Institution were the debtor in a case under the Bankruptcy Code, and

(b) at any other time, any moneys.

Bank Bond means any Series 2012 Bond purchased by or on behalf of the Institution or the Credit Facility Provider with the proceeds of drawing under the Credit Facility to fund the purchase of a Series 2012 Bond upon a tender (or deemed tender) for purchase in accordance with the terms of the Bond.

Bank Bond Rate means the per annum rate of interest applicable to Bank Bonds as provided in the Reimbursement Agreement.

Bankruptcy Code means Title 11 of the United States Code.

Beneficial Owner means a Person owning the right to receive payments and notices with respect to Series 2012 Bonds held by the Depository, as evidenced to the satisfaction of the Trustee.

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

Bond Counsel means a 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 the Resolution or under a Series Resolution, as it may be amended from time to time.

Bond Year means, unless otherwise stated in a Series Resolution, a period of twelve (12) consecutive months beginning July 1 in any calendar year and ending on June 30 of the succeeding calendar year.

Bondholder, Holder of Bonds 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 a Bond of a Series authorized to be issued to, and issued to and registered in the name of, a Depository for the participants in such Depository or the beneficial owner of such Bond.

Business Day means, (i) unless otherwise defined in connection with Bonds of an Applicable Series, any day which is not a Saturday, Sunday or day on which the Trustee or banking institutions chartered by the State or United States of America are legally authorized to be closed in The City of New York, New York and (ii) in addition to the meaning set forth in the Resolution, also means any day other than a Saturday, Sunday or other day on which the New York Stock Exchange is closed or on which banks are authorized to be closed in the City of New York, New York, or the cities in which the principal office of the Trustee, the Credit Facility Provider, the Tender Agent or the Remarketing Agent are located, or a day on which DTC is closed for business.

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.

Capitalized Interest Account means the Capitalized Interest Account, if any, within the Construction Fund authorized to be established pursuant to the Resolution and the Applicable Series Resolution or Bond Series Certificate with respect to a Series of Bonds.

Certificate of Determination means a certificate of an Authorized Officer of the Authority executed upon the Conversion of Series 2012 Bonds out of a Rate Mode to an Initial Rate Period, if any, prior to the Conversion of Series 2012 Bonds to a Daily Rate Mode or a Weekly Rate Mode, setting forth the Initial Rate, the Initial Rate Period, the first Interest Payment Date if other than a date on which interest would otherwise be payable under the Bond Series Certificate, and the matters required thereby to be reflected in a Credit Facility, if applicable.

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

Conversion means a change in the Rate Mode of a Series 2012 Bond made in accordance with the provisions of the Bond Series Certificate.

Conversion Date means the day on which the interest rate on a Series 2009 Bond is converted from one Rate Mode to a different Rate Mode or was proposed to be converted from one Rate Mode to another Rate Mode, which date must be a Reset Date or an Interest Payment Date for such Series 2012 Bond.

Conversion Notice means a notice a Conversion given pursuant to the Bond Series Certificate.

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 expense shall include, but not be limited to, document printing and reproduction costs, filing and recording fees, costs of credit ratings, initial fees and charges of the Trustee, 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 Credit Facility, a Liquidity Facility, a Reserve Fund Facility, an Interest Rate Exchange Agreement or a Remarketing 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 the Mortgage, costs and expenses incurred pursuant to a Remarketing Agreement and other costs, charges and fees, including those of the Authority, in connection with the foregoing.

Cost or Costs of the Project means 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 the Project, including, but not limited to, (i) costs and expenses of the acquisition of the title to or other interest in real property, including easements, rights-of-way and licenses, (ii) costs and expenses incurred for labor and materials and payments to contractors, builders and materialmen, for the acquisition, construction, reconstruction, rehabilitation, repair and improvement of the Project, (iii) the cost of surety bonds and insurance of all kinds, including premiums and other charges in connection with obtaining title insurance, that may be required or necessary prior to completion of the Project, which is not paid by a contractor or otherwise provided for, (iv) the costs and expenses for design, environmental inspections and assessments, test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, and for supervising construction of the Project, (v) costs

and expenses required for the acquisition and installation of equipment or machinery, (vi) all other costs which the Institution shall be required to pay or cause to be paid for the acquisition, construction, reconstruction, rehabilitation, repair, improvement and equipping of the Project, (vii) any sums required to reimburse the Institution or the Authority for advances made by them for any of the above items or for other costs incurred and for work done by them in connection with the Project (including interest on 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, repair, improvement or equipping of the Project, and (ix) fees, expenses and liabilities of the Authority incurred in connection with the Project or pursuant the Resolution or to the Applicable Loan Agreement or Mortgage, or to 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 (and any confirming letter of credit), 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:

- (1) 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;
- (2) an insurance company or association chartered or organized under the laws of any state of the United States of America;
- (3) the Government National Mortgage Association or any successor thereto;
- (4) the Federal National Mortgage Association or any successor thereto;
- (5) a Federal Home Loan Bank; or
- (6) 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.

Credit Facility Account means the Credit Facility Account of the Debt Service Fund established pursuant to the Bond Series Certificate.

Credit Facility Provider means initially HSBC Bank USA, National Association and thereafter any provider of a Credit Facility in accordance with the Resolution and the Bond Series Certificate relating to the Bonds.

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

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

(ii) any uncured failure by the Credit Facility Provider to honor any drawing timely presented under the Credit Facility and made in strict compliance with the terms of the Credit Facility, within one (1) day following the date such drawing is received by the Credit Facility Provider, where (A) there is no insolvency and (B) such failure does not result from a restraint imposed upon the Credit Facility Provider by a court order or any similar restriction; or

(iii) any repudiation in writing by the Credit Facility Provider of its obligation to honor any drawing timely presented, which drawing is in compliance with the terms of the Credit Facility.

Credit Facility Repayment Fund means the Credit Facility Repayment Fund established pursuant to the Series Resolution and the Bond Series Certificate.

Daily Rate means the rate at which a Series 2012 Bond in the Daily Rate Mode bears interest, as established in accordance with the Bond Series Certificate.

Daily Rate Mode means a Rate Mode in which a Series 2012 Bond in such Rate Mode bears interest at a Daily Rate.

Daily Rate Period means a period beginning on a Conversion Date or on a Business Day and extending to, but not including, the next succeeding Business Day, during which Series 2012 Bonds in the Daily Rate Mode bear interest at the Daily Rate.

Debt Service Fund means with respect to each Series of Bonds the fund so designated and established by a Series Resolution pursuant to the Resolution.

Debt Service Reserve Fund means the fund, if any, with respect to each Series of Bonds so designated and established by a Series Resolution pursuant to the Resolution.

Debt Service Reserve Fund Requirement means the amount of moneys, if any, required to be on deposit in the Debt Service Reserve Fund, if any, with respect to an Applicable Series of Bonds as determined in accordance with the Applicable Series Resolution.

Defeasance Security means any of the following:

(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; and

(iii) an Exempt Obligation, provided such Exempt Obligation (a) is not subject to redemption prior to maturity other than at the option of the holder thereof or as to which irrevocable instructions have been given to the trustee of such Exempt Obligation by the obligor thereof to give due notice of redemption and to call such Exempt Obligation for redemption on the date or dates specified in such instructions and such Exempt Obligation is not otherwise subject to redemption prior to such specified date other than at the option of the holder thereof, (b) is secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or Government Obligations, which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such Exempt Obligation on the interest payment dates and 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 Government Obligations 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 interest payment dates and maturity date thereof or on the redemption date specified in the irrevocable instructions referred to in clause (i) above, and (iv) is rated by at least two Rating Services in

the highest rating category for such Exempt Obligation (without regard to qualification of such rating by symbols such as “+” or “-” and numerical notation);

- (iv) any other permitted investments acceptable to the Rating Service(s);

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.

Depository or DTC 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 Applicable Series Resolution authorizing a Series of Bonds or a Bond Series Certificate relating to a Series of Bonds to serve as securities depository for the Bonds of such Series.

Eligible Account means an account that is either (a) maintained with a federal or state chartered depository institution or trust company that has the Rating Service’s short term debt rating of at least “A-2” (or, if no short term debt rating, a long term debt rating of “BBB+”); or (b) maintained with the corporate trust department of a federal depository institution or state chartered depository institution subject to regulations regarding fiduciary funds on deposit which, in either case, has corporate trust powers and is acting in its fiduciary capacity. In the event that an account required to be an “Eligible Account” no longer complies with the requirement, the Trustee or Tender Agent, as applicable, should promptly (and, in any case, within not more than 30 calendar days) move such account to another financial institution such that the Eligible Account requirement will again be satisfied.

Entrance Fees means the entrance fees initially paid by residents of the Project to or for the benefit of the Institution in connection with the residents’ occupancy of units of the Project.

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

Exempt Obligation means any of the following:

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

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

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

Expiration Date when used in connection with an applicable Credit Facility means the date on which such Credit Facility will expire, as such date may be extended from time to time or any earlier date on which the Credit Facility will terminate, expire or be cancelled.

Federal Agency Obligation means any of the following:

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

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

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

(iv) a share or interest in a mutual fund, partnership or other fund 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.

Fixed Rate means the rate at which a Series 2012 Bond bears interest to its maturity during the Fixed Rate Period, as established pursuant to the Bond Series Certificate.

Fixed Rate Mode means a Rate Mode in which a Series 2012 Bond in such Rate Mode bears interest at a Fixed Rate.

Fixed Rate Period means the period from and including the Conversion Date and extending to and including the date of maturity of a Series 2012 Bond in the Fixed Rate Mode.

Government Obligation means any of the following:

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

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

(iii) an obligation to which the full faith and credit of the United States of America is 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 the Project or the 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 the Project or the Mortgaged Property or any part thereof.

Gross Proceeds means, with respect to any Series of Bonds, the interest on which is tax-exempt, unless inconsistent with the provisions of the Code, (i) amounts received by the Authority from the sale of such Series of Bonds (other than amounts used to pay underwriters' fees and other expenses of issuing such Series of Bonds), (ii) amounts treated as transferred proceeds of such Series of Bonds in accordance with the Code, (iii) amounts treated as proceeds under the provisions of the Code relating to invested sinking funds, including any necessary allocation between two or more Series of Bonds in the manner required by the Code, (iv) amounts in the Debt Service Reserve Fund, if any, (v) securities or obligations pledged by the Authority or the Institution as security for payment of debt service on such Bonds, (vi) amounts received with respect to obligations acquired with Gross Proceeds, (vii) amounts used to pay debt service on such Series of Bonds, and (viii) amounts received as a result of the investment of Gross Proceeds at a yield equal to or less than the yield on such Series of Bonds as such yield is determined in accordance with the Code.

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

Initial Rate means the rate per annum at which a Series 2012 Bond will bear interest during the Initial Rate Period, if any, as set forth in a Certificate of Determination.

Initial Rate Period means with respect to the issuance of the Series 2012 Bonds and any Conversion in which one Rate Mode ends and another Rate Mode begins, the period commencing on the date of issuance or a Conversion Date and extending to and including the date set forth in the Series 2012 Bonds or a Certificate of Determination as the last day of such Initial Rate Period.

Institution Payments Account means the Institution Payments Account of the Debt Service Fund established pursuant to the Bond Series Certificate.

Insurance Consultant means a person or firm which is qualified to survey risks and to recommend insurance coverage for organizations engaged in like operations and which is selected by the Institution.

Interest Payment Date means (i) during any Dailey Rate Period or Weekly Rate Period, the first Business Day of each month, and (ii) during any Term Rate Period or the Fixed Rate Period, each January 1 and July 1; *provided, however*, that if so provided in a Certificate of Determination the first Interest Payment Date may be a date that is different from the date on which interest would otherwise be payable; *provided, further*, that interest on Bank Bonds will be payable at the times required pursuant to the Reimbursement Agreement. If any such date is not a Business Day, the Interest Payment Date shall be the succeeding Business Day.

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) an interest rate cap agreement, an interest rate floor agreement, an interest rate collar agreement and any other interest rate related hedge agreement or arrangement relating to Bonds of a Series.

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

Liquidity Facility means, with respect to a Series of Bonds, an irrevocable letter of credit (and any confirming 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 a Bond Series Certificate relating to such Bonds, 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;
- (v) a Federal Home Loan Bank; or
- (vi) 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 hereby and by such Loan Agreement, and with respect to the Series 2012 Bonds, means the Loan Agreement dated as of July 25, 2012 between the Authority and the Institution, as the same may be amended from time to time as permitted by the Resolutions.

Mandatory Tender Date means any date on which a Series 2012 Bond is required to be tendered for purchase in accordance with the Bond Series Certificate.

Maximum Rate means the lesser of 12% per annum and the Maximum Lawful Rate calculated in the same manner as interest is calculated for the particular interest rate on the Series 2012 Bonds.

Maximum Lawful Rate means the maximum rate of interest on the relevant obligation permitted by applicable law.

Minimum Interest Rate means, with respect to any particular Variable Interest Rate Bond, a numerical rate of interest, if any, set forth in the Applicable Series Resolution authorizing such Bond or the Applicable 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, or modification or amendment thereto granted by the Institution to the Authority pursuant to an Applicable Loan Agreement, in form and substance satisfactory to the Authority and the Applicable Provider of a Credit Facility, if any, on the Mortgaged Property mortgaged in connection therewith, as security for the performance of the Institution's obligations under an Applicable Loan Agreement as such Mortgage may be amended or modified from time to time as provided for therein or in the Applicable Loan Agreement.

Mortgaged Property means the land described in a Mortgage and the buildings and improvements thereon or hereinafter erected thereon and the fixtures, furnishings and equipment described in the Mortgage.

Official Statement means the Official Statement of the Authority relating to the Series 2012 Bonds.

Opinion of Bond Counsel means an opinion of Bond Counsel addressed to the Authority, the Trustee, the Remarketing Agent and the Credit Facility Provider, to the effect that the action proposed to be taken will not cause interest on the Series 2012 Bonds to be includable in the gross income of the owners of such Series 2012 Bonds for purposes of federal income taxation and such action is authorized or permitted by the Resolutions.

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 Applicable Series Resolution authorizing such Bonds or the Applicable Bond Series Certificate related to such Bonds.

Optional Tender Date means any Business Day during a Daily Rate Period or a Weekly Rate Period.

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 terms of 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 Applicable Series Resolution authorizing such Bond or the Applicable Bond Series Certificate relating to such Bond 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 Applicable Series Resolution authorizing such Bond or the Applicable Bond Series Certificate relating to such Bond.

Parity Indebtedness means any indebtedness issued by the Institution or any other issuer on behalf of the Institution to the extent permitted pursuant to a Series Resolution and secured equally and ratably by the Applicable Mortgaged Property and/or the Applicable Gross Receipts.

Participant means, with respect to DTC or another Depository, a member of or participant in DTC or such other Depository, respectively.

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 any of the following:

- (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;
- (iii) commercial paper that (a) matures within two hundred seventy (270) days after its date of issuance, (b) is rated in the highest short term rating category by at least one Rating Service and (c) is issued by a domestic corporation whose unsecured senior debt is rated by at least one Rating Service no lower than in the second highest rating category;
- (iv) financial guaranty agreements, surety or other similar bonds or other instruments of an insurance company that has an equity capital of at least \$125,000,000 and is rated by Bests Insurance Guide or a Rating Service in the highest rating category; and
- (v) bankers' acceptances issued by a bank rated in the highest short term rating category by at least one nationally recognized rating organization and having maturities of not longer than three hundred sixty five (365) days from the date they are pledged.

Permitted Encumbrances means (i) the Loan Agreement, (ii) the Resolution, (iii) the Mortgage, (iv) any instrument recorded pursuant to the Loan Agreement, (v) those matters referred to in any title insurance policy described in the Loan Agreement and accepted by the Authority and by the Credit Facility Provider, (vi) any other encumbrances or matters in connection with the Bonds or approved in writing by an Authorized Officer of the Authority and the Credit Facility Provider or as set forth in the aforementioned documents, (vii) any lien on any equipment acquired by a purchase money security interest in such equipment, (viii) the lien of taxes and assessments which are not delinquent, (ix) the lien of taxes and assessments which are delinquent but the validity of which is being contested in good faith unless thereby the property or the interest of the Authority therein may be in danger of being lost or forfeited, (x) minor defects and irregularities in the title to such property which do not in the aggregate materially impair the use of such property for the purposes for which it is or may be reasonably be expected to be held and (xi) easements, exceptions or reservations for the purpose of pipelines, telephone lines, telegraph lines, power lines and substations, roads, streets, alleys, highways, railroad purposes, drainage and sewerage purposes, dikes, canals, laterals, ditches, the removal of oil, gas, coal or other minerals, and other like purposes, or for the joint or common use of real property, facilities and equipment, which do not materially impair the use of such property for the purposes for which it is or may be reasonably be expected to be held.

Permitted Investments means any of the following:

- (i) Government Obligations;
- (ii) Federal Agency Obligations;
- (iii) Exempt Obligations;
- (iv) uncollateralized certificates of deposit that are fully insured by the Federal Deposit Insurance Corporation and issued by a banking organization authorized to do business in the State;
- (v) collateralized certificates of deposit that are (a) issued by a banking organization authorized to do business in the State that has an equity capital of not less than \$125,000,000, whose unsecured senior debt, or debt obligations fully secured by a letter or credit, contract, agreement or surety bond issued by it, are rated by at least one Rating Services in at least the second highest rating category, and (b) fully collateralized by Permitted Collateral;
- (vi) commercial paper issued by a domestic corporation rated in the highest short term rating category by at least one Rating Service and having maturities of not longer than two hundred seventy (270) days from the date of purchase;
- (vii) bankers' acceptances issued by a bank rated in the highest short term rating category by at least one Rating Service and having maturities of not longer than three hundred sixty five (365) days from the date they are purchased;
- (viii) any Investment Agreement that is fully collateralized by Permitted Collateral; and
- (ix) 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, whose objective is to maintain a constant share value of \$1.00 per share and that is rated in the highest short term rating category by at least one Rating Service.

Prior Pledges means the liens, charges, encumbrances and security interests, if any, made and given by the Institution on Gross Receipts to secure prior obligations incurred by the Institution and as more specifically described in the applicable Loan Agreement.

Project means a “facility for the aged”, as defined in the Act, which may include more than one part, financed or refinanced in whole or in part from the proceeds of the sale of Bonds, as more particularly described in the Resolution, or in any Series Resolution or Bond Series Certificate.

Provider means the issuer or provider of a Credit Facility, a Liquidity Facility or Reserve Fund Facility and as otherwise defined in a Series Resolution with respect to a Series of Bonds. With respect to drawings under a Credit Facility, a Liquidity Facility or a Reserve Fund Facility that is a letter of credit confirmed by a standby confirming letter of credit, “Provider” includes the issuer or provider of the standby confirming letter of credit.

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 Credit Facility, a Liquidity Facility or Reserve Fund Facility, including interest on amounts advanced and fees and charges with respect thereto.

Purchase Account means the account so designated and established within the Purchase and Remarketing Fund pursuant to the Bond Series Certificate.

Purchase and Remarketing Fund means the Purchase and Remarketing Fund established pursuant to the Series Resolution and the Bond Series Certificate.

Purchase Price means:

(i) when used in relation to Tendered Bonds, other than Series 2012 Bonds tendered upon a Conversion from a Term Rate Mode, an amount equal to:

(a) 100% of the principal amount of any Series 2012 Bond tendered or deemed tendered to the Tender Agent for purchase pursuant to Section 4.01 of the Bond Series Certificate, or

(b) the amount payable to the registered owner of a Bank Bond following receipt by such owner of a purchase notice from the Remarketing Agent; and

(ii) when used in relation to Tendered Bonds mandatorily tendered pursuant to the Bond Series Certificate upon Conversion from a Term Rate Mode on a date other than a Reset Date, an amount equal to the Redemption Price that would be payable if such Series 2012 Bonds had been called for redemption on the Conversion Date;

plus in each case accrued and unpaid interest thereon to the date of purchase; *provided, however*, that, in each case, if the date of purchase is an Interest Payment Date, then the Purchase Price shall not include accrued and unpaid interest, which shall be paid to the Holder of record on the applicable Record Date.

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

(i) a securities dealer, the liquidation of which is subject to the Securities Investors Protection Corporation or other similar corporation, and (a) that is on the Federal Reserve Bank of New York list of primary government securities dealers and (b) whose senior unsecured long term debt is at the time an investment with it is made is rated by at least one Rating Service no lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated by at least one Rating Service no lower than in the highest rating category for such short term debt; *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 an entity that provides a Credit Facility or financial guaranty agreement in connection with Outstanding Bonds of a Series;

(ii) a bank, a trust company, a national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, an insurance company or association chartered or organized under the laws of the United States of America, any state of the United States of America or any foreign nation, whose senior unsecured long term debt is at the time an investment with it is made is rated by at least one Rating Service no lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated by at least one Rating Service no lower than in the highest rating category for such short term debt; **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 an entity that provides a Credit Facility or financial guaranty agreement in connection with Outstanding Bonds of a Series;

(iii) a corporation affiliated with or which is a subsidiary of any entity described in (i) or (ii) above or which is affiliated with or a subsidiary of a corporation which controls or wholly owns any such entity, whose senior unsecured long term debt is at the time an investment with it is made is rated by at least one Rating Service no lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated by at least one Rating Service no lower than in the highest rating category for such short term debt; **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 an entity that provides a Credit Facility or financial guaranty agreement in connection with Outstanding Bonds of a Series;

(iv) the Government National Mortgage Association or any successor thereto, the Federal National Mortgage 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.

Rate means the Initial Rate, Daily Rate, Weekly Rate, Term Rate, Bank Bond Rate or Fixed Rate.

Rate Mode means the Daily Rate Mode, Weekly Rate Mode, Term Rate Mode or Fixed Rate Mode.

Rate Period means any Initial Rate Period, Daily Rate Period, Weekly Rate Period, Term Rate Period or Fixed Rate Period.

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

Record Date means, with respect to each Interest Payment Date, (i) during any Daily Rate Period or any Weekly Rate Period, the close of business on the Business Day preceding such Interest Payment Date, and (ii) during any Term Rate Period or any Fixed Rate Period, the close of business on the 15th day of the calendar month immediately preceding any calendar month in which an Interest Payment Date occurs, regardless of whether such day is a Business Day.

Redemption Account means the Redemption Account of the Debt Service Fund established pursuant to the Bond Series Certificate.

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

Refunding Bonds means all Bonds, whether issued in one or more Series of Bonds, authenticated and delivered on original issuance pursuant to the Resolution, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Resolution.

Reimbursement Agreement means the agreement pursuant to which the provider of a Credit Facility (and Liquidity Facility, if applicable) has agreed to provide the Credit Facility (and Liquidity Facility, if applicable), and initially means the Letter of Credit and Reimbursement Agreement, between the Credit Facility Provider and the Institution, pursuant to which the initial Credit Facility Provider has agreed to provide the Letter of Credit and the initial Liquidity Facility.

Remarketing Agent when used in connection with the Series 2012 Bonds in the Daily Rate Mode, the Weekly Rate Mode or the Term Rate Mode means the remarketing agent for such Series 2012 Bonds appointed and serving in such capacity pursuant to the Bond Series Certificate and initially means KeyBanc Capital Markets Inc. (USA) LLC or any successor remarketing agent.

Remarketing Agreement when used in connection with the Series 2012 Bonds means the Remarketing Agreement by and among the Authority, the Institution and the Remarketing Agent for such Series 2012 Bonds, as the same may be amended or supplemented from time to time in accordance with the provisions thereof, and initially means the Remarketing Agreement, among KeyBanc Capital Markets Inc., the Authority and the Institution, or any subsequent agreement relating to the powers, duties and obligations of a successor remarketing agent.

Remarketing Proceeds Account means the account so designated and established within the Purchase and Remarketing Fund pursuant to the Bond Series Certificate.

Reserve Fund Facility means a surety bond, insurance policy, letter of credit (and any confirming letter of credit) or other financial guaranty or instrument, authorized by or pursuant to a Series Resolution 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.

Reset Date means, with respect to the Series 2012 Bonds in a Daily Rate Mode, a Weekly Rate Mode or a Term Rate Mode, the date on which the interest rate borne by such Series 2012 Bond is to be determined in accordance with the provisions of the Bond Series Certificate, provided however, that with respect to the Series 2012 Bonds in the Term Rate Mode, a Reset Date at the end of a Term Rate Period must be an Interest Payment Date.

Resolution means the F.F.T. Senior Communities, Inc. Revenue Bond Resolution, adopted by the Authority July 25, 2012, as from time to time amended or supplemented by Supplemental Resolutions or Series Resolutions in accordance with the terms and provisions thereof.

Revenues means, with respect to a Series of Bonds, all payments received or receivable by the Authority that pursuant to the Applicable Loan Agreement, except as provided in the Applicable Assignment 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 or any fund or account established solely for purposes of making payments to reimburse a Provider of a Credit Facility or Liquidity Facility).

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

Series means all of the Bonds authenticated and delivered on original issuance and pursuant to the Resolution and to the Applicable 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

SIFMA Municipal Index means the SIFMA Municipal Swap Index disseminated by Municipal Market Data, a Thomson Financial Services Company or its successor; or, if at the time a Rate is to be determined Municipal Market Data has not provided the relevant information on the SIFMA Municipal Index for the most recent Wednesday, then the rate determined by Municipal Market Data on the Wednesday next preceding the beginning of the Rate Period for which such Rate is to be determined.

Sinking Fund Installment means, with respect to a Series of Bonds, 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 Applicable Series Resolution pursuant to which such Bonds were issued or by the Applicable Bond Series Certificate relating thereto 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 Applicable Series Resolution pursuant to which such Bonds were issued or by the Applicable 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.

Substitute Credit Facility means a Credit Facility delivered to the Trustee in accordance with the Bond Series Certificate upon the expiration or earlier termination of a Credit Facility.

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

Tax Certificate means the Tax Certificate or Tax Compliance Certificate, including the appendices, schedules and exhibits thereto, executed by an Authorized Officer of the Authority in connection with the issuance of the Series 2012.

Tender Agent means the Trustee, who is appointed as Tender Agent pursuant to the Bond Series Certificate and having the duties, responsibilities and rights provided therein, and its successor or successors and any successor Trustee which may at any time be substituted in its place pursuant to the Bond Series Certificate.

Tender Date means each Optional Tender Date or Mandatory Tender Date.

Tender Notice means the notice delivered by the Holders of a Series 2012 Bond subject to Optional Tender pursuant to the Bond Series Certificate.

Tendered Bond means a Series 2012 Bond or portion thereof in an Authorized Denomination mandatorily tendered or tendered at the option of the Holder thereof for purchase in accordance with the Bond Series Certificate, including a Series 2012 Bond or portion thereof deemed tendered, but not surrendered on the applicable Tender Date.

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.

Term Rate means the rate at which a Series 2012 Bond bears interest during a Term Rate Period, as established in accordance with the Bond Series Certificate.

Term Rate Mode means a Rate Mode designated as such in a Conversion Notice in which a Series 2012 Bond in such Rate Mode bears interest at a Term Rate.

Term Rate Period means a period commencing on the Conversion Date or a Reset Date and extending to and including the next succeeding Reset Date, which Reset Date must be a Business Day at least 365 days from such Conversion Date or Reset Date.

Trustee means the bank or trust company appointed as Trustee for a Series of Bonds pursuant to a Series Resolution or Bond Series Certificate delivered under the Resolution 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.

Valuation Date means (i) with respect to any Capital Appreciation Bond, each date set forth in the Applicable Series Resolution authorizing such Capital Appreciation Bond or in the Applicable Bond Series Certificate relating to such Bond 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 Applicable Series Resolution authorizing such Bond or in the Applicable Bond Series Certificate relating to such Bond 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 or determining such interest rate or rates specified in the Applicable Series Resolution authorizing such Bonds or the Applicable Bond Series Certificate relating to such Bonds 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;
- (ii) a determination of the lowest interest rate as would enable the Remarketing Agent, under prevailing financial market conditions for obligations of the same general nature of the Bonds in question and that are comparable to the Bonds in question in terms of credit and maturity or tender dates, to remarket such Bonds at a price of par, plus accrued interest, if any; or
- (iii) 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/or a Minimum Interest Rate as provided in the Applicable Series Resolution authorizing such Bonds or the Applicable Bond Series Certificate relating thereto, and that 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.

Weekly Rate means the rate at which a Series 2012 Bond bears interest during a Weekly Rate Period, as established in accordance with the Bond Series Certificate.

Weekly Rate Mode means a Rate Mode in which a Series 2012 Bond in such Rate Mode bears interest at a Weekly Rate.

Weekly Rate Period means a period commencing on a Conversion Date or the Wednesday of a calendar week and extending to and including the next succeeding Tuesday.

Exhibit D to the Loan Agreement Definitions

“Capacity Days Available” is the total number of units at the Institution multiplied by the number of days between Testing Dates and including the current Testing Date.

“Cash and Investments” is the sum of cash and cash equivalents and investments as of any particular date of calculation.

“Daily Cash Operating Expenses” means as of any particular date of calculation the previous 12 months of total operating expenses less the previous 12 months depreciation and amortization plus the previous 12 months of principal payments on long term indebtedness, divided by 365.

“Days Cash on Hand” is the Cash and Investments divided by Daily Cash Operating Expenses.

“Fiscal Year” means a twelve month period beginning on January 1st of a calendar year and ending on December 31st of the same calendar year, or such other twelve month period as the Institution may elect as its fiscal year.

“Management Consultant” means a nationally recognized accounting or management consulting firm or other similar firm, experienced in reviewing and assessing the operations of senior communities similar to the Institution, selected by the Institution and acceptable to the Authority.

“Occupancy Days” is the sum of the number of days each unit at the Institution is occupied between two Testing Dates, to include the Testing Date.

“Occupancy Ratio” means the percentage of Occupancy Days to Capacity Days Available.

“Reporting Date” means the first business day that is 45 days after the June 30th Testing Date or 150 days after the December 31st Testing Date.

“Testing Date” means June 30th and December 31st.

**AUDITED FINANCIAL STATEMENTS OF F.F.T. SENIOR COMMUNITIES, INC.
AS OF DECEMBER 31, 2010**

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**F.F.T. SENIOR COMMUNITIES, INC.
(A WHOLLY-OWNED SUBSIDIARY OF
F.F. THOMPSON HEALTH SYSTEM, INC.)**

**Financial Statements as of
December 31, 2010 and 2009
Together with
Independent Auditors' Report**

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

April 29, 2011

To the Board of Directors of
F.F.T. Senior Communities, Inc.:

We have audited the balance sheets of F.F.T. Senior Communities, Inc. (a New York not-for-profit corporation) (a wholly-owned subsidiary of F.F. Thompson Health System, Inc.) as of December 31, 2010 and 2009, and the related statements of activities, changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of F.F.T. Senior Communities, Inc. as of December 31, 2010 and 2009, and the results of its operations, changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

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F.F.T. SENIOR COMMUNITIES, INC.
(A Wholly-owned Subsidiary of F.F. Thompson Health System, Inc.)

BALANCE SHEETS
DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 775,903	\$ 941,315
Investments	2,268,436	2,050,270
Resident and other accounts receivable	26,461	33,387
Accrued interest receivable	7,937	8,672
Assets limited as to use	245,000	232,500
Inventory	26,410	27,339
Prepaid expenses and other current assets	<u>208,324</u>	<u>194,366</u>
Total current assets	3,558,471	3,487,849
OTHER ASSETS:		
Property and equipment, net	13,768,059	14,562,932
Assets limited as to use, net of current portion	1,553,594	1,851,200
Deferred financing costs, net	1,012,515	954,444
Other assets, net	<u>-</u>	<u>2,087</u>
Total assets	<u>\$ 19,892,639</u>	<u>\$ 20,858,512</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Current portion of long-term debt	\$ 495,907	\$ 465,000
Accounts payable and accrued expenses	124,760	149,098
Refundable deposits	207,995	40,346
Accrued interest payable	4,727	306,638
Due to affiliates, current portion	<u>251,793</u>	<u>470,852</u>
Total current liabilities	1,085,182	1,431,934
OTHER LIABILITIES:		
Accrued pension liability	110,195	55,677
Refundable residency fees, net	9,701,750	9,850,974
Long-term debt, net of current portion	15,634,078	16,110,000
Due to affiliates, net of current portion	<u>250,000</u>	<u>250,000</u>
Total liabilities	26,781,205	27,698,585
UNRESTRICTED NET ASSETS	<u>(6,888,566)</u>	<u>(6,840,073)</u>
Total liabilities and net assets	<u>\$ 19,892,639</u>	<u>\$ 20,858,512</u>

The accompanying notes are an integral part of these statements.

F.F.T. SENIOR COMMUNITIES, INC.
(A Wholly-owned Subsidiary of F.F. Thompson Health System, Inc.)

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
REVENUES:		
Resident services	\$ 4,908,694	\$ 4,768,671
Resident benefit allowance	(19,241)	(19,463)
Other revenue	103,639	105,367
Net assets released from restrictions used for operations	<u>2,020</u>	<u>1,900</u>
Total revenues	<u>4,995,112</u>	<u>4,856,475</u>
OPERATING EXPENSES:		
Salaries and wages	1,552,752	1,523,359
Employee benefits	320,468	307,352
Supplies and other	1,715,313	1,605,370
Interest	254,989	621,415
Depreciation and amortization	1,028,302	1,094,676
Health System member assessment	<u>338,019</u>	<u>222,461</u>
Total operating expenses	<u>5,209,843</u>	<u>5,374,633</u>
Operating loss	(214,731)	(518,158)
NON-OPERATING REVENUES:		
Investment income	<u>121,802</u>	<u>84,158</u>
Excess of expenses over revenues	(92,929)	(434,000)
CHANGE IN NET UNREALIZED GAINS ON INVESTMENTS	102,465	164,311
CHANGE IN FUNDED STATUS OF PENSION PLAN	<u>(58,029)</u>	<u>(5,935)</u>
Change in unrestricted net assets	<u>\$ (48,493)</u>	<u>\$ (275,624)</u>

The accompanying notes are an integral part of these statements.

F.F.T. SENIOR COMMUNITIES, INC.
(A Wholly-owned Subsidiary of F.F. Thompson Health System, Inc.)

**STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
UNRESTRICTED NET ASSETS:		
Excess of expenses over revenues	\$ (92,929)	\$ (434,000)
Change in net unrealized gains on investments	102,465	164,311
Change in funded status of pension plan	<u>(58,029)</u>	<u>(5,935)</u>
Change in unrestricted net assets	<u>(48,493)</u>	<u>(275,624)</u>
TEMPORARILY RESTRICTED NET ASSETS:		
Contributions from The F.F. Thompson Foundation, Inc.	2,020	1,900
Net assets released from restrictions used for operating purposes	<u>(2,020)</u>	<u>(1,900)</u>
Change in temporarily restricted net assets	<u>-</u>	<u>-</u>
Change in net assets	(48,493)	(275,624)
NET ASSETS - beginning of year	<u>(6,840,073)</u>	<u>(6,564,449)</u>
NET ASSETS - end of year	<u>\$ (6,888,566)</u>	<u>\$ (6,840,073)</u>

The accompanying notes are an integral part of these statements.

F.F.T. SENIOR COMMUNITIES, INC.
(A Wholly-owned Subsidiary of F.F. Thompson Health System, Inc.)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (48,493)	\$ (275,624)
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation and amortization	1,028,302	1,094,676
Change in funded status of pension plan	58,029	5,935
Amortization of refundable residency fees	(315,801)	(307,644)
Net realized and unrealized investment gains	(125,156)	(138,762)
Changes in:		
Resident and other accounts receivable	6,926	6,073
Accrued interest receivable	735	4,984
Inventory	929	882
Prepaid expenses and other current assets	(13,958)	12,847
Accounts payable and accrued expenses	(24,338)	32,543
Accrued interest payable	(301,911)	(8,140)
Accrued pension liability	(3,511)	(14,350)
Due to affiliates, net	(219,059)	(95,043)
Net cash flow from operating activities	<u>42,694</u>	<u>318,377</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(60,891)	(59,585)
Purchases of investments	(86,682)	(109,850)
(Increase) decrease in assets limited as to use	<u>278,778</u>	<u>(33,119)</u>
Net cash flow from investing activities	<u>131,205</u>	<u>(202,554)</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from refundable residency fees	166,576	311,436
Proceeds from refundable deposits	167,649	(38,863)
Proceeds from borrowings	24,645	-
Payment of deferred financing costs	(228,521)	-
Payments on long-term debt	<u>(469,660)</u>	<u>(440,000)</u>
Net cash flow from financing activities	<u>(339,311)</u>	<u>(167,427)</u>
CHANGE IN CASH AND EQUIVALENTS	(165,412)	(51,604)
CASH AND EQUIVALENTS - beginning of year	<u>941,315</u>	<u>992,919</u>
CASH AND EQUIVALENTS - end of year	<u>\$ 775,903</u>	<u>\$ 941,315</u>

The accompanying notes are an integral part of these statements.

F.F.T. SENIOR COMMUNITIES, INC.
(A WHOLLY-OWNED SUBSIDIARY OF F.F. THOMPSON HEALTH SYSTEM, INC.)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

1. ORGANIZATION

F.F.T. Senior Communities, Inc. (FFTSC) is a not-for-profit corporation located in Canandaigua, New York, that is the sponsor of a residential community, Ferris Hills at West Lake and Clark Meadows, that consists of 84 independent living units and 48 enriched living units. FFTSC offers a comprehensive program of service and support for retired adults in the community. FFTSC is a wholly-owned subsidiary of F.F. Thompson Health System, Inc. (Health System), a not-for-profit corporation.

The Health System is also the sole member of The Frederick Ferris Thompson Hospital (Hospital), an acute care provider; M.M. Ewing Continuing Care Center, a long-term care provider; The F.F. Thompson Foundation, Inc. (Foundation), a fundraising entity; Ontario County Advanced Life Support, Inc. (OCALS), a provider of mobile advanced life support services; is the sole shareholder of FFTH Properties and Services, Inc., a property management services company; and Finger Lakes Community Care Network, Inc. (FLCCN), a provider of health care management services. Certain individuals who serve as directors of the Health System also serve as directors of its subsidiaries.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

Cash and Cash Equivalents

Cash and cash equivalents includes bank demand deposit accounts, money market accounts and all highly liquid debt instruments purchased with a maturity of three months or less. FFTSC's cash balances may at times exceed federally insured limits. FFTSC has not experienced any losses in these accounts and believes it is not exposed to any significant risk with respect to cash and cash equivalents.

Investments and Assets Limited as to Use

Investments, which consist of corporate bonds, government obligations and marketable equity and fixed income securities, are measured at fair value in the balance sheet. Assets limited as to use are comprised of assets held in debt service reserve accounts established in connection with the bond trust indenture. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the excess of expenses over revenues unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are excluded from the excess of revenue over expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment Risks

Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in values in the near term could materially affect the amounts reported in the accompanying financial statements.

Revenue Recognition and Related Receivables

Resident services revenue is generated from providing housing, dining, social and recreational activities, transportation, laundry and housekeeping services. Other operating revenue is generated from additional services provided to residents such as additional meal programs, garage rental and transportation, as well as various other sources.

Resident accounts receivable are written off when they are determined to be uncollectible. An allowance for doubtful accounts is estimated based on FFTSC's historical losses, existing economic conditions, and the financial stability of its residents. There was no allowance for doubtful accounts at December 31, 2010 and 2009.

Inventory

Inventories, which consist principally of food, beverage and dining supplies, are recorded at the lower of cost or market (determined using the first-in, first-out method).

Property and Equipment

Purchases of property and equipment exceeding \$1,000 and with a useful life greater than one year are capitalized and recorded at cost. Depreciation is provided over the estimated useful lives of the assets, ranging from 5 to 40 years, and is computed using the straight-line method.

Deferred Financing Costs

Deferred financing costs represents debt issuance costs incurred on the original bond offering as well as those costs related to the remarketing of the bonds. Deferred financing costs relating to the original issuance are being amortized on a straight-line basis over the average life of the bonds and costs incurred on remarketing the bonds are being amortized on a straight-line basis over two years, the period of time before the next remarketing will occur. Accumulated amortization was \$1,152,122 and \$981,672 at December 31, 2010 and 2009, respectively. Amortization expense amounted to \$170,450 in 2010 and \$148,523 in 2009.

Other Assets

Other assets consist of costs of obtaining contracts to initially fill the facility and are being amortized on a straight-line basis over eight years. These costs were fully amortized as of December 31, 2010. Accumulated amortization was \$1,178,271 and \$1,176,184 at December 31, 2010 and 2009, respectively. Amortization expense was \$2,087 in 2010 and \$70,466 in 2009.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donor-Restricted Gifts

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

Refundable Deposits and Residency Fees

Refundable deposits are required for all independent living units. Deposits are fully refundable up until occupancy of the unit at which time refundable deposits are reclassified as refundable residency fees and will be refunded to residents upon termination of the contract and reoccupancy of the unit. Once the units are occupied, refundable residency fees are deferred and taken into income over the remaining useful life of the building. Accumulated amortization was \$2,639,580 and \$2,323,780 at December 31, 2010 and 2009, respectively. Amortization of refundable residency fees included in resident services was \$315,801 in 2010 and \$307,644 in 2009.

Excess of Expenses Over Revenues

The statements of activities includes excess of expenses over revenues. Changes in unrestricted net assets which are excluded from excess of expenses over revenues, consistent with industry practice, include unrealized gains and losses on investments, permanent transfers of assets to and from affiliates for other than goods and services, contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets) and change in the funded status of pension plan.

Income Taxes

FFTSC is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (Code) and is exempt from Federal, state and local income taxes on related income pursuant to Section 501(a) of the Code. FFTSC has also been classified by the Internal Revenue Service as a corporation that is not a private foundation.

For tax-exempt entities, their tax-exempt status itself is deemed to be an uncertainty, since events could potentially occur to jeopardize tax-exempt status. As of December 31, 2010 and 2009, FFTSC does not have a liability for unrecognized tax benefits. FFTSC files informational tax returns in the U.S. federal jurisdiction and New York State. FFTSC is no longer subject to U.S. federal and state income tax examinations by tax authorities for years through 2006.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurement

FFTSC uses various valuation techniques in determining fair value. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of FFTSC. Unobservable inputs are inputs that reflect FFTSC's assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1 - Valuations are based on quoted prices in active markets for identical assets or liabilities that FFTSC has the ability to access. Valuation adjustments are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these items does not entail a significant degree of judgment.

FFTSC's investments and limited use assets that are equity securities, mutual funds, and U.S. Treasury obligations are valued using Level 1 inputs.

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

FFTSC's corporate bonds and municipal bonds are valued using Level 2 inputs. Fair value of FFTSC's bonds is determined by entering standard inputs, including benchmark yields, reported trades, broker/dealer quotes, issuer spreads, bids and offers into a pricing model. The custodian of the funds uses a third-party pricing service to determine the fair value of the bonds.

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

FFTSC does not have any Level 3 investments.

The availability of observable inputs can vary and is affected by a wide variety of factors. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by FFTSC in determining fair value is greatest for instruments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

3. INVESTMENTS AND ASSETS LIMITED AS TO USE

Investments and assets limited as to use are comprised of the following at December 31:

	<u>2010</u>	<u>2009</u>
Investments:		
U.S. Treasury and agency obligations	\$ 137,307	\$ 399,520
Corporate bonds	588,685	418,848
Municipal bonds	21,009	20,684
Equity mutual funds	580,050	550,050
Fixed Income mutual funds	530,811	69,865
Mortgage-backed securities	<u>410,574</u>	<u>591,303</u>
	<u>\$ 2,268,436</u>	<u>\$ 2,050,270</u>
Limited Use Assets:		
Funds held under a regulatory agreement in debt service reserve fund:		
Cash and cash equivalents	\$ 95,112	\$ 308,214
U.S. Treasury obligations	<u>1,703,482</u>	<u>1,775,486</u>
	1,798,594	2,083,700
Less: Current portion of assets limited as to use	<u>(245,000)</u>	<u>(232,500)</u>
	<u>\$ 1,553,594</u>	<u>\$ 1,851,200</u>

Investment income and gains (losses) for investments and assets limited as to use, are comprised of the following for the years ended December 31:

	<u>2010</u>	<u>2009</u>
Investment income:		
Interest income and dividend income	\$ 99,111	\$ 109,707
Net realized gains (losses) on sales of investments	<u>22,691</u>	<u>(25,549)</u>
	<u>\$ 121,802</u>	<u>\$ 84,158</u>

Investment fees paid were \$14,404 and \$13,033 for the years ended December 31, 2010 and 2009, respectively, and are recorded in supplies and other expenses in the accompanying statements of activities.

4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	<u>2010</u>	<u>2009</u>
Land	\$ 567,907	\$ 567,907
Land improvements	1,813,032	1,809,532
Buildings	14,835,333	14,828,933
Furniture, equipment, and software	5,681,547	5,645,201
Vehicles	78,405	53,760
Construction-in-progress	<u>-</u>	<u>10,000</u>
	22,976,224	22,915,333
Less: Accumulated depreciation	<u>(9,208,165)</u>	<u>(8,352,401)</u>
	<u>\$ 13,768,059</u>	<u>\$ 14,562,932</u>

Depreciation expense was \$855,765 in 2010 and \$875,687 in 2009.

5. LONG-TERM DEBT

Long-term debt consists of the following at December 31:

	<u>2010</u>	<u>2009</u>
Dormitory Authority of the State of New York Revenue Bonds, Series 2000B	\$ 16,110,000	\$ 16,575,000
Loan payable to a bank in monthly installments of \$579, including interest at 5.99%, through February 2014	<u>19,985</u>	<u>-</u>
	16,129,985	16,575,000
Less: Current portion	<u>(495,907)</u>	<u>(465,000)</u>
	<u>\$ 15,634,078</u>	<u>\$ 16,110,000</u>

In conjunction with the financing of the construction of FFTSC, \$18,555,000 F.F.T. Senior Communities, Inc. Revenue Bonds, Series 2000B were issued pursuant to a loan agreement between FFTSC and the Dormitory Authority of the State of New York. The bonds mature on July 1, 2029, and are being retired beginning on July 1, 2005, and on each July 1 thereafter, through mandatory sinking fund installments. Prior to May 31, 2010, the bonds bore interest at a rate of 3.7%. On May 31, 2010, the bonds were remarketed and bear interest at a variable rate determined weekly by a remarketing agent. Concurrently with the remarketing of the bonds, there was a letter of credit issued in the amount of \$16,390,711, which may be drawn upon to pay principal and interest to bondholders. The letter of credit is due on May 30, 2012.

The loan agreement contains various covenants, including the requirement to maintain Debt Service Reserve Funds in the amount of \$1,384,395. As part of the bond issuance, FFTSC entered into a reimbursement, credit and security agreement with KBC Bank N.V. that also contained several operating and financial covenants. At December 31, 2009 and during the year then ended, FFTSC was not in compliance with one financial and two occupancy ratio covenants. KBC Bank N.V. waived these events of non-compliance as of and for the year ended December 31, 2009. At December 31, 2010, and during the year then ended, FFTSC was in compliance with the operating and financial covenants.

5. LONG-TERM DEBT (Continued)

The proceeds from the Series 2000B bonds and all funds and accounts established, including the mortgage, gross receipts security agreement and the assignment of rents and leases are pledged as security for the payment of the principal, sinking fund installments and interest on the bonds. The obligations of FFTSC under the loan and reimbursement agreement are secured by a mortgage on the property and a security interest in the fixtures, furnishings and equipment of FFTSC.

Future principal payments on all long-term debt are as follows for the years ending December 31:

2011	\$	495,907
2012		526,271
2013		556,657
2014		581,150
2015		615,000
Thereafter		<u>13,355,000</u>
		<u>\$ 16,129,985</u>

Cash paid for interest in 2010 and 2009 was \$555,700 and \$629,555, respectively.

6. RETIREMENT PLANS

FFTSC offers elective participation in a contributory deferred annuity plan. Employer matching contributions to the deferred annuity plan were \$8,430 and \$7,708 in 2010 and 2009, respectively, and are included in employee benefits.

The Health System also has a noncontributory defined benefit pension plan covering all eligible employees. Benefits under the Plan are based on each participant's years of service and compensation, as defined in the Plan document. The Health System annually contributes to the Plan an amount required to satisfy the minimum funding standard of the Employee Retirement Income Security Act of 1974.

Pension cost or pension income related to the Plan, as well as changes in the funded status of the Plan, are recorded by participating affiliates through an intercompany allocation. Pension expense allocated to FFTSC for the years ended December 31, 2010 and 2009, respectively, was \$12,735 and \$26,150. In 2010 and 2009, FFTSC recorded a change in the funded status of the Plan of \$(58,029) and \$(5,935), respectively.

The Plan had total assets of \$24,879,813 and \$20,670,286 at December 31, 2010 and 2009, respectively. The Plan had a projected benefit obligation of \$35,394,250 and \$26,067,833 at December 31, 2010 and 2009, respectively.

7. TRANSACTIONS WITH AFFILIATES

The following summarizes significant transactions and balances with affiliated entities.

F.F. Thompson Health System, Inc.

Administrative expenses of the Health System are assessed to its subsidiaries on a basis by which each subsidiary utilizes the resources of the Health System. The amount assessed to FFTSC was \$338,019 and \$222,461 in 2010 and 2009, respectively.

7. TRANSACTIONS WITH AFFILIATES (Continued)

The Frederick Ferris Thompson Hospital

The Hospital paid salary, fringe benefits and other operating expenses of FFTSC. FFTSC reimburses the Hospital for all costs incurred on FFTSC's behalf. These charges amounted to approximately \$2,351,000 and \$1,920,000 in 2010 and 2009, respectively.

The F.F. Thompson Foundation, Inc.

FFTSC received \$2,020 and \$1,900 in contributions from the Foundation in 2010 and 2009, respectively.

Amounts due to affiliates is comprised of the following at December 31:

	<u>2010</u>	<u>2009</u>
Health System	\$ 20,422	\$ 49,331
Foundation, net	(1,894)	48,156
Hospital	<u>233,265</u>	<u>373,365</u>
	251,793	470,852
Hospital, long-term portion	<u>250,000</u>	<u>250,000</u>
Amounts due to affiliates	<u>\$ 501,793</u>	<u>\$ 720,852</u>

8. CONTINGENCIES

Workers' Compensation

FFTSC, along with the other subsidiaries of the Health System, are self-insured for workers' compensation insurance through the New York Health Providers Workers' Compensation Trust (Trust). The Trust pays claims and judgments relating to workers' compensation and charges the Health System a predetermined annual amount, as recommended by the actuary based upon the Health System's specific experience. The Trust has reinsurance for losses exceeding \$350,000 for each claim, limited to a maximum of \$2,000,000 per claim. The Health System along with the other Trust members have executed an \$858,000 letter of credit held on behalf of the Trust. All members of the Trust are jointly and severally liable for all workers' compensation obligations incurred by the Trust. Effective January 1, 2011, the Trust stopped providing insurance to its members and the Health System obtained workers' compensation insurance through a commercial provider.

9. FAIR VALUE OF FINANCIAL INSTRUMENTS

FFTSC's assets which are subject to fair value measurements, are measured at fair value on a recurring basis based on the following inputs at December 31, 2010:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. Treasury and agency obligations	\$1,840,789	\$ -	\$ -	\$1,840,789
Corporate bonds	-	588,685	-	588,685
Municipal bonds	-	21,009	-	21,009
Equity mutual funds	580,050	-	-	580,050
Fixed income mutual funds	530,811	-	-	530,811
Mortgage-backed securities	<u>410,574</u>	<u>-</u>	<u>-</u>	<u>410,574</u>
	<u>\$3,362,224</u>	<u>\$ 609,694</u>	<u>\$ -</u>	<u>\$3,971,918</u>

FFTSC's assets which are subject to fair value measurements are measured at fair value on a recurring basis based on the following inputs at December 31, 2009:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. Treasury and agency obligations	\$2,175,006	\$ -	\$ -	\$2,175,006
Corporate bonds	-	418,848	-	418,848
Municipal bonds	-	20,684	-	20,684
Equity mutual funds	550,050	-	-	550,050
Fixed income mutual funds	69,865	-	-	69,865
Mortgage-backed securities	<u>591,303</u>	<u>-</u>	<u>-</u>	<u>591,303</u>
	<u>\$3,386,224</u>	<u>\$439,532</u>	<u>\$ -</u>	<u>\$3,825,756</u>

Management believes the fair value of long-term debt approximates carrying value as interest rates are variable rates or with respect to fixed-rate debt, the interest rates are not significantly different than current market rates.

10. FUNCTIONAL EXPENSES

FFTSC provides independent and enriched housing to residents within its geographic region. Expenses related to providing these services consists of the following at December 31:

	<u>2010</u>	<u>2009</u>
Program activities	\$ 3,529,731	\$ 3,597,596
General and administrative services	<u>1,680,112</u>	<u>1,777,037</u>
	<u>\$ 5,209,843</u>	<u>\$ 5,374,633</u>

11. SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 29, 2011, which is the date the accompanying financial statements were issued.

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**UNAUDITED FINANCIAL STATEMENTS OF F.F.T. SENIOR COMMUNITIES, INC.
AS OF DECEMBER 31, 2011**

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**F.F.T. SENIOR COMMUNITIES, INC.
(A WHOLLY-OWNED SUBSIDIARY OF
F.F. THOMPSON HEALTH SYSTEM, INC.)**

**Financial Statements as of
December 31, 2011 and 2010**

Note: The financial statements contained herein represent internal statements of F.F.T. Senior Communities, Inc. only and have not been approved by its independent auditors.

F.F.T. SENIOR COMMUNITIES, INC.
(A Wholly-owned Subsidiary of F.F. Thompson Health System, Inc.)

BALANCE SHEETS
DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 646,248	\$ 775,903
Investments	2,287,017	2,268,436
Resident and other accounts receivable	50,859	26,461
Accrued interest receivable	2,034	7,937
Current portion of assets limited as to use	260,000	245,000
Inventory	33,176	26,410
Prepaid expenses and other current assets	<u>217,371</u>	<u>210,218</u>
Total current assets	3,496,705	3,560,365
OTHER ASSETS:		
Property and equipment, net	13,136,765	13,768,059
Assets limited as to use, net of current portion	1,508,163	1,553,594
Deferred financing costs, net	<u>823,558</u>	<u>1,012,515</u>
Total assets	<u>\$ 18,965,191</u>	<u>\$ 19,894,533</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Current portion of long-term debt	\$ 526,271	\$ 495,907
Accounts payable and accrued expenses	147,454	124,760
Refundable deposits	42,412	207,995
Accrued interest payable	14,850	4,727
Due to affiliates, current portion	<u>220,275</u>	<u>253,687</u>
Total current liabilities	951,262	1,087,076
OTHER LIABILITIES:		
Accrued pension liability	171,400	110,195
Refundable residency fees, net	9,614,045	9,701,750
Long-term debt, net of current portion	15,107,807	15,634,078
Due to affiliates, net of current portion	<u>260,671</u>	<u>250,000</u>
Total liabilities	26,105,185	26,783,099
UNRESTRICTED NET ASSETS	<u>(7,139,994)</u>	<u>(6,888,566)</u>
Total liabilities and net assets	<u>\$ 18,965,191</u>	<u>\$ 19,894,533</u>

The accompanying notes are an integral part of these statements.

F.F.T. SENIOR COMMUNITIES, INC.
(A Wholly-owned Subsidiary of F.F. Thompson Health System, Inc.)

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
REVENUES:		
Resident services	\$ 4,711,644	\$ 4,908,694
Resident benefit allowance	(26,988)	(19,241)
Other revenue	131,666	103,639
Net assets released from restrictions used for operations	<u>1,000</u>	<u>2,020</u>
Total revenues	<u>4,817,322</u>	<u>4,995,112</u>
OPERATING EXPENSES:		
Salaries and wages	1,579,969	1,552,752
Employee benefits	338,855	320,468
Supplies and other	1,834,078	1,715,313
Interest	55,930	254,989
Depreciation and amortization	931,118	1,028,302
Health System member assessment	<u>344,397</u>	<u>338,019</u>
Total operating expenses	<u>5,084,347</u>	<u>5,209,843</u>
Operating loss	(267,025)	(214,731)
NON-OPERATING REVENUES:		
Investment income	<u>243,172</u>	<u>121,802</u>
Excess of expenses over revenues	(23,853)	(92,929)
CHANGE IN NET UNREALIZED GAINS (LOSSES) ON INVESTMENTS	(173,560)	102,465
CHANGE IN FUNDED STATUS OF PENSION PLAN	<u>(54,015)</u>	<u>(58,029)</u>
Change in unrestricted net assets	<u>\$ (251,428)</u>	<u>\$ (48,493)</u>

The accompanying notes are an integral part of these statements.

F.F.T. SENIOR COMMUNITIES, INC.
(A Wholly-owned Subsidiary of F.F. Thompson Health System, Inc.)

STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
UNRESTRICTED NET ASSETS:		
Excess of expenses over revenues	\$ (23,853)	\$ (92,929)
Change in net unrealized gains (losses) on investments	(173,560)	102,465
Change in funded status of pension plan	<u>(54,015)</u>	<u>(58,029)</u>
Change in unrestricted net assets	<u>(251,428)</u>	<u>(48,493)</u>
TEMPORARILY RESTRICTED NET ASSETS:		
Contributions from The F.F. Thompson Foundation, Inc.	1,000	2,020
Net assets released from restrictions used for operating purposes	<u>(1,000)</u>	<u>(2,020)</u>
Change in temporarily restricted net assets	<u>-</u>	<u>-</u>
Change in net assets	(251,428)	(48,493)
NET ASSETS - beginning of year	<u>(6,888,566)</u>	<u>(6,840,073)</u>
NET ASSETS - end of year	<u>\$ (7,139,994)</u>	<u>\$ (6,888,566)</u>

The accompanying notes are an integral part of these statements.

F.F.T. SENIOR COMMUNITIES, INC.
(A Wholly-owned Subsidiary of F.F. Thompson Health System, Inc.)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (251,428)	\$ (48,493)
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation and amortization	931,118	1,028,302
Change in funded status of pension plan	54,015	58,029
Amortization of refundable residency fees	(323,612)	(315,801)
Net realized and unrealized investment (gains) losses	24,604	(125,156)
Changes in:		
Resident and other accounts receivable	(24,398)	6,926
Accrued interest receivable	5,903	735
Inventory	(6,766)	929
Prepaid expenses and other current assets	(7,153)	(13,958)
Accounts payable and accrued expenses	22,694	(24,338)
Accrued interest payable	10,123	(301,911)
Accrued pension liability	7,190	(3,511)
Due to affiliates, net	<u>(22,741)</u>	<u>(219,059)</u>
Net cash flow from operating activities	<u>419,549</u>	<u>42,694</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(110,867)	(60,891)
Purchases of investments	(38,654)	(86,682)
Decrease in assets limited as to use	<u>25,900</u>	<u>278,778</u>
Net cash flow from investing activities	<u>(123,621)</u>	<u>131,205</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from refundable residency fees	235,907	166,576
Refunded deposits	(165,583)	167,649
Proceeds from borrowings	-	24,645
Payment of deferred financing costs	-	(228,521)
Payments on long-term debt	<u>(495,907)</u>	<u>(469,660)</u>
Net cash flow from financing activities	<u>(425,583)</u>	<u>(339,311)</u>
CHANGE IN CASH AND EQUIVALENTS	(129,655)	(165,412)
CASH AND EQUIVALENTS - beginning of year	<u>775,903</u>	<u>941,315</u>
CASH AND EQUIVALENTS - end of year	<u>\$ 646,248</u>	<u>\$ 775,903</u>

The accompanying notes are an integral part of these statements.

F.F.T. SENIOR COMMUNITIES, INC.
(A WHOLLY-OWNED SUBSIDIARY OF F.F. THOMPSON HEALTH SYSTEM, INC.)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

1. ORGANIZATION

F.F.T. Senior Communities, Inc. (FFTSC) is a not-for-profit corporation located in Canandaigua, New York, that is the sponsor of a residential community, Ferris Hills at West Lake and Clark Meadows, that consists of 84 independent living units and 48 enriched living units. FFTSC offers a comprehensive program of service and support for retired adults in the community. FFTSC is a wholly-owned subsidiary of F.F. Thompson Health System, Inc. (Health System), a not-for-profit corporation.

The Health System is also the sole member of The Frederick Ferris Thompson Hospital (Hospital), an acute care provider; M.M. Ewing Continuing Care Center (MMECCC), a long-term care provider; The F.F. Thompson Foundation, Inc. (Foundation), a fundraising entity; Ontario County Advanced Life Support, Inc. (OCALS), a provider of mobile advanced life support services; and is the sole shareholder of FFTH Properties and Services, Inc., a property management services company; and Finger Lakes Community Care Network, Inc. (FLCCN), a provider of health care management services. Effective January 11, 2011, OCALS was formally dissolved. Certain individuals who serve as directors of the Health System also serve as directors of its subsidiaries.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

Cash and Cash Equivalents

Cash and cash equivalents includes bank demand deposit accounts, money market accounts and all highly liquid debt instruments purchased with a maturity of three months or less. FFTSC's cash balances may at times exceed federally insured limits. FFTSC has not experienced any losses in these accounts and believes it is not exposed to any significant risk with respect to cash and cash equivalents.

Investments and Assets Limited as to Use

Investments, which consist of corporate bonds, government obligations and marketable equity and fixed income securities, are measured at fair value in the balance sheet. Assets limited as to use are comprised of assets held in debt service reserve accounts established in connection with the bond trust indenture. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the excess of expenses over revenues unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are excluded from the excess of revenue over expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and Assets Limited as to Use (Continued)

Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in values in the near term could materially affect the amounts reported in the accompanying financial statements.

Revenue Recognition and Related Receivables

Resident services revenue is generated from providing housing, dining, social and recreational activities, transportation, laundry and housekeeping services. Other operating revenue is generated from additional services provided to residents such as additional meal programs, garage rental and transportation, as well as various other sources.

Resident accounts receivable are written off when they are determined to be uncollectible. An allowance for doubtful accounts is estimated based on FFTSC's historical losses, existing economic conditions, and the financial stability of its residents. There was no allowance for doubtful accounts at December 31, 2011 and 2010.

Inventory

Inventories, which consist principally of food, beverage and dining supplies, are recorded at the lower of cost or market (determined using the first-in, first-out method).

Property and Equipment

Purchases of property and equipment exceeding \$1,000 and with a useful life greater than one year are capitalized and recorded at cost. Depreciation is provided over the estimated useful lives of the assets, ranging from 5 to 40 years, and is computed using the straight-line method.

Deferred Financing Costs

Deferred financing costs represents debt issuance costs incurred on the original bond offering as well as those costs related to the remarketing of the bonds. Deferred financing costs relating to the original issuance are being amortized on a straight-line basis over the average life of the bonds and costs incurred on remarketing the bonds are being amortized on a straight-line basis over two years, the period of time before the next remarketing will occur. Accumulated amortization was \$1,341,079 and \$1,152,122 at December 31, 2011 and 2010, respectively. Amortization expense amounted to \$188,957 and \$170,450 in 2011 and 2010, respectively.

Donor-Restricted Gifts

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Refundable Deposits and Residency Fees

Refundable deposits are required for all independent living units. Deposits are fully refundable up until occupancy of the unit at which time refundable deposits are reclassified as refundable residency fees and will be refunded to residents upon termination of the contract and reoccupancy of the unit. Once the units are occupied, refundable residency fees are deferred and taken into income over the remaining useful life of the building. Accumulated amortization was \$2,963,192 and \$2,639,580 at December 31, 2011 and 2010, respectively. Amortization of refundable residency fees included in resident services was \$323,612 and \$315,801 in 2011 and 2010, respectively.

Excess of Expenses Over Revenues

The statements of activities includes excess of expenses over revenues. Changes in unrestricted net assets which are excluded from excess of expenses over revenues, consistent with industry practice, include unrealized gains and losses on investments, permanent transfers of assets to and from affiliates for other than goods and services, contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets) and changes in the funded status of its pension plan.

Income Taxes

FFTSC is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (Code) and is exempt from Federal, state and local income taxes on related income pursuant to Section 501(a) of the Code. FFTSC has also been classified by the Internal Revenue Service as a corporation that is not a private foundation.

As of December 31, 2011 and 2010, FFTSC does not have a liability for unrecognized tax positions. FFTSC files informational tax returns in the U.S. federal jurisdiction and New York State. FFTSC is no longer subject to U.S. federal and state income tax examinations by tax authorities for years through 2007.

Fair Value Measurement

FFTSC uses various valuation techniques in determining fair value. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of FFTSC. Unobservable inputs are inputs that reflect FFTSC's assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1 - Valuations are based on quoted prices in active markets for identical assets or liabilities that FFTSC has the ability to access. Valuation adjustments are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these items does not entail a significant degree of judgment.

FFTSC's investments and limited use assets that are equity securities, mutual funds, and U.S. Treasury obligations are valued using Level 1 inputs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurement (Continued)

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

FFTSC's corporate bonds and municipal bonds are valued using Level 2 inputs. Fair value of FFTSC's bonds is determined by entering standard inputs, including benchmark yields, reported trades, broker/dealer quotes, issuer spreads, bids and offers into a pricing model. The custodian of the funds uses a third-party pricing service to determine the fair value of the bonds.

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

FFTSC does not have any Level 3 investments.

The availability of observable inputs can vary and is affected by a wide variety of factors. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by FFTSC in determining fair value is greatest for instruments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

3. INVESTMENTS AND ASSETS LIMITED AS TO USE

Investments and assets limited as to use are comprised of the following at December 31:

	<u>2011</u>	<u>2010</u>
Investments:		
U.S. Treasury and agency obligations	\$ -	\$ 137,307
Corporate bonds	-	588,685
Municipal bonds	518,575	21,009
Equity mutual funds	520,798	580,050
Fixed Income mutual funds	1,247,644	530,811
Mortgage-backed securities	<u>-</u>	<u>410,574</u>
	<u>\$ 2,287,017</u>	<u>\$ 2,268,436</u>
Limited Use Assets:		
Funds held under a regulatory agreement in debt service reserve fund:		
Cash and cash equivalents	\$ 56,358	\$ 95,112
U.S. Treasury obligations	<u>1,711,805</u>	<u>1,703,482</u>
	1,768,163	1,798,594
Less: Current portion of assets limited as to use	<u>(260,000)</u>	<u>(245,000)</u>
	<u>\$ 1,508,163</u>	<u>\$ 1,553,594</u>

3. INVESTMENTS AND ASSETS LIMITED AS TO USE (Continued)

Investment income and gains (losses) for investments and assets limited as to use, are comprised of the following for the years ended December 31:

	<u>2011</u>	<u>2010</u>
Investment income:		
Interest and dividend income	\$ 94,216	\$ 99,111
Net realized gains on sales of investments	<u>148,956</u>	<u>22,691</u>
	<u>\$ 243,172</u>	<u>\$ 121,802</u>

Investment fees paid were \$6,102 and \$14,404 for the years ended December 31, 2011 and 2010, respectively, and are recorded in supplies and other expenses in the accompanying statements of activities.

4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	<u>2011</u>	<u>2010</u>
Land	\$ 567,907	\$ 567,907
Land improvements	1,813,032	1,813,032
Buildings	14,835,333	14,835,333
Furniture, equipment, and software	5,792,415	5,681,548
Vehicles	<u>78,405</u>	<u>78,405</u>
	23,087,092	22,976,225
Less: Accumulated depreciation	<u>(9,950,327)</u>	<u>(9,208,166)</u>
	<u>\$ 13,136,765</u>	<u>\$ 13,768,059</u>

Depreciation expense was \$742,161 in 2011 and \$855,765 in 2010.

5. LONG-TERM DEBT

Long-term debt consists of the following at December 31:

	<u>2011</u>	<u>2010</u>
Dormitory Authority of the State of New York Revenue Bonds, Series 2000B	\$ 15,620,000	\$ 16,110,000
Loan payable to a bank in monthly installments of \$579, including interest at 5.99%, through February 2014	<u>14,078</u>	<u>19,985</u>
	15,634,078	16,129,985
Less: Current portion	<u>(526,271)</u>	<u>(495,907)</u>
	<u>\$ 15,107,807</u>	<u>\$ 15,634,078</u>

5. LONG-TERM DEBT (Continued)

In conjunction with the financing of the construction of FFTSC, \$18,555,000 F.F.T. Senior Communities, Inc. Revenue Bonds, Series 2000B were issued pursuant to a loan agreement between FFTSC and the Dormitory Authority of the State of New York. The bonds mature on July 1, 2029, and are being retired on each July 1 through mandatory sinking fund installments. The bonds bear interest at a variable rate determined weekly by a remarketing agent. In connection with the bonds, there is a letter of credit issued in the amount of \$15,892,173, which may be drawn upon to pay principal and interest to bondholders. The letter of credit matures on May 30, 2012.

The loan agreement contains various covenants, including the requirement to maintain Debt Service Reserve Funds in the amount of \$1,384,395. As part of the bond issuance, FFTSC entered into a reimbursement, credit and security agreement with KBC Bank N.V. that also contained several operating and financial covenants. At December 31, 2011, and during the year then ended, FFTSC was not in compliance with an operating covenant.

The proceeds from the Series 2000B bonds and all funds and accounts established, including the mortgage, gross receipts security agreement and the assignment of rents and leases are pledged as security for the payment of the principal, sinking fund installments and interest on the bonds. The obligations of FFTSC under the loan and reimbursement agreement are secured by a mortgage on the property and a security interest in the fixtures, furnishings and equipment of FFTSC.

Future principal payments on all long-term debt are as follows for the years ending December 31:

2012	\$ 526,271
2013	556,657
2014	581,150
2015	615,000
2016	650,000
Thereafter	<u>12,705,000</u>
	<u>\$ 15,634,078</u>

Cash paid for interest in 2011 and 2010 was \$44,800 and \$555,700, respectively.

6. RETIREMENT PLANS

FFTSC offers elective participation in a contributory deferred annuity plan. Employer matching contributions to the deferred annuity plan were \$7,410 and \$8,430 in 2011 and 2010, respectively, and are included in employee benefits.

The Health System sponsors a noncontributory defined benefit pension plan, The Thompson Health Pension Plan (the Plan), covering all eligible employees. Benefits under the Plan are based on each participant's years of service and compensation, as defined in the Plan document. The Health System annually contributes to the Plan an amount required to satisfy the minimum funding standard of the Employee Retirement Income Security Act of 1974.

6. RETIREMENT PLANS (Continued)

Pension cost or pension income related to the Plan, as well as changes in the funded status of the Plan, are recorded by participating affiliates through an intercompany allocation. Pension expense allocated to FFTSC in 2011 and 2010 was \$24,483 and \$12,735, respectively. In 2011 and 2010, FFTSC recorded a change in the funded status of the Plan of \$(54,015) and \$(58,029), respectively.

The Plan had total assets of \$25,402,981 and \$24,879,813 at December 31, 2011 and 2010, respectively. The Plan had a projected benefit obligation of \$41,874,738 and \$35,394,250 at December 31, 2011 and 2010, respectively.

7. TRANSACTIONS WITH AFFILIATES

The following summarizes significant transactions and balances with affiliated entities.

F.F. Thompson Health System, Inc.

Administrative expenses of the Health System are assessed to its subsidiaries on a basis by which each subsidiary is estimated to use the resources of the Health System. The amount assessed to FFTSC was \$344,397 and \$338,019 in 2011 and 2010, respectively.

The Frederick Ferris Thompson Hospital

The Hospital paid salary, fringe benefits and other operating expenses of FFTSC. FFTSC reimburses the Hospital for all costs incurred on FFTSC's behalf. These charges amounted to approximately \$2,453,000 and \$2,351,000 in 2011 and 2010, respectively. Additionally, the Hospital made a loan to FFTSC which bears no interest and has no formal repayment terms.

The F.F. Thompson Foundation, Inc.

FFTSC received \$1,000 and \$2,020 in contributions from the Foundation in 2011 and 2010, respectively.

Amounts due to affiliates is comprised of the following at December 31:

	<u>2011</u>	<u>2010</u>
Health System	\$ 32,281	\$ 20,422
Hospital	<u>187,994</u>	<u>233,265</u>
	220,275	253,687
Hospital, long-term portion	<u>260,671</u>	<u>250,000</u>
Amounts due to affiliates	<u>\$ 480,946</u>	<u>\$ 503,687</u>

These balances have no formal repayment terms and do not bear interest.

8. COMMITMENTS AND CONTINGENCIES

Workers' Compensation

For claims incurred prior to January 1, 2011, FFTSC, along with the other subsidiaries of the Health System, were self-insured for workers' compensation insurance through the New York Health Providers Workers' Compensation Trust (Trust). The Trust pays claims and judgments relating to workers' compensation and charges the Health System a predetermined annual amount, as recommended by its actuary, based on the Health System's specific experience. The Trust has reinsurance for losses exceeding \$350,000 for each claim, limited to a maximum of \$2,000,000 per claim. The Health System along with the other Trust members have executed a \$858,000 letter of credit held on behalf of the Trust. All members of the Trust are jointly and severally liable for all workers' compensation obligations incurred by the Trust. The Health System has reviewed the current status of the Trust and does not believe it is liable for any additional liabilities at this time. Effective January 1, 2011, the Trust stopped providing insurance to its members and the Health System obtained workers' compensation insurance through a commercial provider.

Affiliation Agreement

In December 2011, F.F. Thompson Health System, Inc., the University of Rochester Medical Center (URMC), and the University of Rochester (UR) entered into an Agreement in Principle in which the parties agreed to negotiate in good faith a possible institutional affiliation which would result in UR becoming the sole corporate member of the Health System and its affiliates. In March 2012, F.F. Thompson Health System, Inc.'s Board of Directors and the University of Rochester's Board of Trustees both approved moving forward with the affiliation subject to the President of UR and the CEO and President of the Health System coming to an agreement on the specific terms of an affiliation agreement. Additionally, certain regulatory approvals are needed before a formal affiliation can be executed; it's anticipated that all approvals will be finalized during 2012.

9. FAIR VALUE OF FINANCIAL INSTRUMENTS

FFTSC's assets which are subject to fair value measurements, are measured at fair value on a recurring basis based on the following inputs at December 31, 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. Treasury and agency obligations	\$1,711,805	\$ -	\$ -	\$1,711,805
Municipal bonds	-	518,575	-	518,575
Equity mutual funds	520,798	-	-	520,798
Fixed income mutual funds	<u>1,247,644</u>	<u>-</u>	<u>-</u>	<u>1,247,644</u>
	<u>\$3,480,247</u>	<u>\$ 518,575</u>	<u>\$ -</u>	<u>\$3,998,822</u>

9. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

FFTSC's assets which are subject to fair value measurements are measured at fair value on a recurring basis based on the following inputs at December 31, 2010:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. Treasury and agency obligations	\$1,840,789	\$ -	\$ -	\$1,840,789
Corporate bonds	-	588,685	-	588,685
Municipal bonds	-	21,009	-	21,009
Equity mutual funds	580,050	-	-	580,050
Fixed income mutual funds	530,811	-	-	530,811
Mortgage-backed securities	<u>410,574</u>	<u>-</u>	<u>-</u>	<u>410,574</u>
	<u>\$3,362,224</u>	<u>\$ 609,694</u>	<u>\$ -</u>	<u>\$3,971,918</u>

Management believes the fair value of long-term debt approximates carrying value as interest rates are variable rates or with respect to fixed-rate debt, the interest rates are not significantly different than current market rates.

10. FUNCTIONAL EXPENSES

FFTSC expenses on a functional basis for years ending December 31 are as follows:

	<u>2011</u>	<u>2010</u>
Program activities	\$ 3,683,947	\$ 3,529,731
General and administrative services	<u>1,400,400</u>	<u>1,680,112</u>
	<u>\$ 5,084,347</u>	<u>\$ 5,209,843</u>

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

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SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

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

Sale of Conveyance of Project or Mortgaged Property

The Institution covenants that it shall not transfer, sell, encumber, assign, lease or otherwise dispose of any interest in the Project or the Mortgaged Property or any part thereof or interest therein (whether in a single transaction or a series of transactions), including development rights, other than Permitted Encumbrances, without the prior written consent of the Authority and the Credit Facility Provider, which consent shall be accompanied by (i) an agreement by the Institution to comply with all terms and conditions of such consent and (ii) an opinion of Bond Counsel stating that the change will not have an effect on the status of the taxability of the Bonds for federal income taxation purposes. As a condition to such approval, the Authority or the Credit Facility Provider may require that the Institution pay to the Trustee for deposit in the Debt Service Fund an amount not to exceed the principal amount of the Bonds Outstanding at the date of such transfer, sale, encumbrance, assignment, lease or disposal, as such amount is determined by the Authority. Notwithstanding the foregoing, the Institution may (i) remove equipment, furniture or fixtures in the Project or the Mortgaged Property or which comprise a part of the Project or the Mortgaged Property without the consent of the Authority and the Credit Facility Provider, provided that the Institution substitutes equipment, furniture or fixtures having a value and utility at least equal to the equipment, furniture or fixtures removed or replaced, and (ii) with the prior written approval of the Authority and the Credit Facility Provider, incur Parity Indebtedness.

(Section 6)

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

1. Except to the extent that Available Moneys (as defined in the Bond Series Certificate but excluding any moneys from a draw under any Credit Facility) are available therefor under the Resolution or the Series Resolution or the Loan Agreement, including moneys in the Debt Service Fund and moneys in the debt Service Reserve Fund, but excluding interest accrued but unpaid on investments held in the Debt Service Fund, the Institution unconditionally agrees to pay, so long as Bonds are Outstanding, to or upon the order of the Authority, from its general funds or any other moneys legally available to it:

(a) On or before the date of delivery of the Bonds, the Authority Fee agreed to by the Authority and the Institution and set forth in Exhibit C of the Loan Agreement;

(b) On or before the date of delivery of the Bonds, such amount, if any, as in the reasonable judgment of the Authority is necessary to pay the Costs of Issuance, and other costs in connection with the issuance of such Bonds;

(c) Five days (or the preceding Business Day if such day is not a Business Day) prior to an Interest Payment Date on Outstanding Variable Interest Rate Bonds, the interest coming due on such Variable Interest Rate Bonds on such Interest Payment Date, assuming that, to the extent the interest rate is not known on such date for the remaining period until the interest payment date, such Bonds will, from and after the next succeeding date on which the rates at which such Bonds bear interest are to be determined, bear interest at a rate per annum equal to the rate per annum for such Bonds on the immediately preceding Business Day, plus one percent (1%) per annum;

(d) 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 Outstanding Bonds that are not Variable Interest Rate Bonds becomes due, one-sixth (1/6) of the interest coming due on such Bonds on the immediately succeeding Interest Payment Date on such Bonds; provided, however, that, if with respect to such Outstanding Bonds there are more or less than six (6) such payment dates prior to the first interest payment on such Bonds, on each payment date 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;

(e) Except as provided below, by 1:30 p.m., New York City time, on the day on which payment of the purchase price of an Option Bond tendered for purchase which has not been remarketed or remarketed at less than the principal amount thereof and for which there is no Liquidity Facility then in effect, is due, the purchase price of such Option Bond, which shall be paid in immediately available funds; provided, however, that (A) if the Institution has received notice that such payment is due after 10:00 a.m., New York City time, but prior to 3:00 p.m., New York City time, on such day, then payment by the Institution shall be made by 5:00 p.m., New York City time on such day, and (B) if such notice is given after 3:00 p.m., New York City time, on such day, then payment by the institution shall be made by 10:00 a.m. on the next succeeding Business Day;

(f) On or before the tenth (10th) day of each month commencing on the tenth (10th) day of the July immediately preceding the July 1 on which the principal or a Sinking Fund Installment of Outstanding Bonds becomes due, one-twelfth (1/12) of the principal and Sinking Fund Installment on such Bonds coming due on such July 1; provided, however, that, if with respect to the Outstanding Bonds there are less than twelve (12) such payment dates prior to the July 1 on which principal or Sinking Fund Installments come due on such Bonds, 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 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; provided, however, with respect to Sinking Fund Installments of Option Bonds or Variable Interest Rate Bonds that come due in months other than July the terms of this subsection shall apply except that references to July shall be replaced with the applicable month(s) in which the related Sinking Fund Installment comes due;

(g) At least forty-five (45) days prior to any date on which the Redemption Price or purchase price of Bonds previously called for redemption or contracted to be purchased, other than an Option Bond to be purchased or redeemed pursuant to an optional or mandatory tender thereof or Bonds being redeemed pursuant to Sinking Fund Installments in accordance with clause (f) above, is to be paid, the amount required to pay the Redemption Price or purchase price of such Bonds;

(h) Promptly after notice from the Trustee, the Authority, or the Credit Facility Provider, if the amount on deposit in the Credit Facility Repayment Fund (as such term is defined in the Bond Series Certificate relating to the Bonds) is insufficient to reimburse the Credit Facility Provider for an amount drawn upon the Credit Facility, the amount required to reimburse the Credit Facility Provider;

(i) On June 10 of each Bond Year, one-half (1/2) of the Annual Authority Administrative Fee as described in Exhibit B to the Loan Agreement payable during such Bond Year in connection with the Bonds, and on December 10 of each Bond Year the balance of the Annual Authority Administrative Fee payable during such Bond Year; provided, however, that the Annual Administrative Fee with respect to the Bonds payable during the Bond Year during which such Annual Administrative Fee became effective shall be equal to the Annual Administrative Fee with respect to such Bonds multiplied by a fraction the numerator of which is the number of calendar months or parts thereof remaining in such Bond Year and the denominator of which is twelve (12);

(j) Promptly after notice from the Authority, but in any event not later than thirty (30) days after such notice is given, the amount set forth in such notice as payable to the Authority (i) for the

Authority Fee then unpaid, (ii) to reimburse the Authority for payments made by it pursuant to the Loan Agreement and any expenses or liabilities incurred by the Authority pursuant to the Loan Agreement, (iii) 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, the Resolution, the Series Resolution or the Bond Series Certificate in accordance with the terms of the Loan Agreement and thereof, (iv) for the fees and expenses of the Trustee and any Paying Agent in connection with performance of their duties under the Resolution or the Bond Series Certificate, (v) to reimburse the Authority for any external costs or expenses incurred by it attributable to the issuance the Bonds or the financing or construction of the Project, including but not limited to any fees or other amounts payable under the Remarketing Agreement, a Liquidity Facility or a Credit Facility, (vi) to pay any amounts due and payable to the Credit Facility Provider, and (vii) to restore the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement;

(k) Promptly upon written 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;

(l) Promptly upon written demand by the Authority, the difference between the amount on deposit in the Arbitrage Rebate Fund or otherwise available under the Resolution for the payment of any rebate required by the Code to be made 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 any fees and expenses incurred by the Authority in connection therewith including those of any rebate analyst or consultant engaged by the Authority; and

(m) To the extent not ootherwise set forth in the Loan Agreement, including without limitation, in the event of any insufficiency, any amounts necessary to pay the principal, Sinking Fund Installment, or Redemption Price or purchase price, if any, of, and interest on, the Bonds, on the dates, in the amounts, at the times and in the manner provided in or pursuant to the Resolution, the Series Resolution or the Bond Series Certificate, whether at maturity, upon acceleration, redemption or otherwise.

Subject to the provisions of the Loan Agreement and of the Resolution or the Series Resolution, the Institution shall receive a credit against the amount required to be paid by the Institution during a Bond Year pursuant to paragraph (d) of this subdivision on account of a Sinking Fund Installment if, prior to the date notice of redemption is given pursuant to the Resolution with respect to Bonds to be redeemed through a Sinking Fund Installment payable on the next succeeding July 1, as applicable, the Institution delivers to the Trustee for cancellation one or more Bonds of the maturity to be so redeemed on such July 1, as applicable. The amount of the credit shall be equal to the principal amount of the Bonds so delivered.

2. Notwithstanding any provisions in the Loan Agreement or in the Resolution to the contrary (except as otherwise specifically provided for in this paragraph 2), (i) all moneys paid by the Institution to the Trustee pursuant paragraphs (c), (d), (e), (f), (g), (h), (k) and (m) described above (other than certain moneys received by the Trustee pursuant to the Resolution which shall be retained and applied by the Trustee for its own account) shall be received by the Trustee as agent for the Authority in satisfaction of the Institution's indebtedness to the Authority with respect to the interest on and principal, Redemption Price or Purchase Price of the Bonds to the extent of such payment and (ii) the deposit and application by the Trustee of any moneys (other than moneys described in clause (i) of paragraph 1 above) to the payment of the principal or Redemption Price of the Outstanding Bonds, in accordance with the applicable provisions of the Loan Agreement or of the Resolution, shall be deemed, upon such deposit and application, receipt from the Institution of a payment in satisfaction of that portion of the Institution's indebtedness to the Authority with respect to principal of the Bonds to the extent of the amount of moneys so applied. Immediately after receipt of such moneys by the Trustee, the Trustee shall hold such moneys in trust in accordance with the applicable provisions of the Resolution for the sole and exclusive benefit of the Bondholders and the Credit Facility Provider, regardless of the actual due date or applicable payment date of any payment to the Bondholders, except in respect to the payment to the Institution by the Trustee as provided for in the Resolution.

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

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

4. 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 under the Loan Agreement at the time and in the manner provided in the Loan Agreement. The Institution shall notify the Authority as to the amount and date of each payment made to the Trustee by the Institution.

5. 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. The Authority will endeavor to give the Institution prior notice (which may be given solely by telecopy) of any such payment; provided, however, that the failure to give such notice shall not affect the validity of the payment or the obligation under the Loan Agreement with respect to repayment of amounts so paid. 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.

6. The Institution, if there is not then an "Event of Default" under the Loan Agreement, shall have the right to make voluntary payments in any amount to the Trustee. In the event of a voluntary payment, the amount so paid shall be deposited in accordance with the directions of an Authorized Officer of the Authority in the Debt Service Fund or held by the Trustee for the payment of Bonds in accordance with the Resolution. Upon any voluntary payment by the Institution or any deposit in the Debt Service Fund 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 cause the Bonds Outstanding to be deemed paid 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.

7. As soon as practicable after the later of the date the Project is deemed to be complete pursuant to the Loan Agreement or the issuance of the Bonds, the Authority shall determine, and notify the Institution of, the actual Authority Fee incurred by the Institution in connection with the Project to the date of such notice. The balance, if any, of such Authority Fee then unpaid, to the extent not paid from the Construction Fund, shall be paid by the Institution pursuant to the Loan Agreement. If upon such determination the actual amount of the Authority Fee incurred by the Institution in connection with the Project to the date of such notice is less than the amount paid theretofore, the Authority shall promptly refund to the Institution the amount paid in excess of such actual amount.

8. If the Institution elects to purchase Bonds, with the written consent of the Authority, the Institution shall give written notice to the Authority and the Trustee whenever Bonds are to be purchased at the election of the Institution, which written notice shall include the maturity and principal amount of the Bonds to be so purchased. All such purchases shall be subject to the condition that money for the payment of the purchase price therefor is available on the date set for each such purchase.

9. Promptly upon demand by the Tender Agent or the Authority, the Institution shall pay to the Tender Agent such compensation due the Tender Agent in accordance with the provisions of the Bond Series Certificate relating to the Bonds.

(Section 9)

Reserve Funds

(a) 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, provided that the Institution shall be required to deliver moneys, Government Obligations or Exempt Obligations to the Trustee for deposit in the Debt Service Reserve Fund as a result of a deficiency in such fund only after the notice required by the resolution.

In accordance with the Resolution, the Institution may deliver to the Trustee a Reserve Fund Facility for all or any part of a Debt Service Reserve Fund Requirement in accordance with and to the extent permitted by the Resolution. Whenever a Reserve Fund Facility has been delivered to the Trustee and the Institution is required to restore a Debt Service Reserve Fund Requirement, it shall reimburse directly, or pay to the Authority an amount sufficient to reimburse, the Facility Provider in order to cause such Reserve Fund Facility to be restored to its full amount and shall then deliver additional moneys or Government Obligations or Exempt Obligations necessary to restore the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement.

(b) 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. The Institution authorizes the Authority pursuant to the 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 hereof and of the Resolution.

(c) All Government Obligations and Exempt Obligations and other moneys deposited with the Trustee pursuant to the Loan Agreement, other than United States Treasury Certificates of Indebtedness State and Local Government Series ("SLGS"), (subject to provisions for registration thereof) and the principal thereof and the interest, dividends or other income payable with respect thereto shall be payable to bearer or to the registered owner. All such Government Obligations and Exempt Obligations and other moneys in registered form shall be registered in the name of the Trustee (in its fiduciary capacity) or its nominee. Record ownership of all such Government Obligations and Exempt Obligations and other moneys shall be transferred promptly following their delivery to the Trustee into the name of the Trustee (in its fiduciary capacity) or its nominee. The Institution hereby appoints the Trustee its lawful attorney-in-fact for the purpose of effecting such registrations and transfers.

(d) The Institution hereby 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 hereby and by the Resolution and (ii) are pledged under the Loan Agreement pursuant to appropriate corporate action of the Institution duly had and taken.

(e) Prior to the initial delivery of Government Obligations and Exempt Obligations 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, the Insurer, 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 and Exempt Obligations as security in accordance herewith, such Government Obligations and Exempt Obligations 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 hereof and of the Resolution, and nothing has come to the attention of such counsel that would lead it to believe that the Government Obligations and Exempt Obligations 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 hereby or by the Resolution. In lieu of providing a written opinion of counsel to the Institution as required by 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, the Insurer 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 or Exempt Obligation deposited into any fund or account established under the Resolution, to and including the date of such opinion of counsel, comply with the requirements of this paragraph.

(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 and the Reimbursement Agreement, the Institution does hereby 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.

(Section 11)

Warranties as to Title; Encumbrances; Title Insurance

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

The Institution covenants that title to any Project and all Mortgaged Property shall be kept free from any encumbrances, liens or commitments of any kind, other than Permitted Encumbrances; provided, however, that nothing under this caption shall prohibit the incurrence of Parity Indebtedness pursuant to the provisions of the Loan Agreement.

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

bounds description, acceptable to the Authority, of the Mortgaged Property, certified to the Authority and the issuer of the title insurance policy and showing any easements to which the Mortgaged Property is subject.

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

(Section 14)

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

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

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

constitute a default under, the charter or by-laws of the Institution or any indenture or mortgage, or any trusts, endowments or other commitments or agreements to which the Institution is party or by which it or any of its properties are bound, or any existing law, rule, regulation, judgment, order, writ, injunction or decree of any governmental authority, body, agency or other instrumentality or court having jurisdiction over the Institution or any of its properties.

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

(Section 15)

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

(Section 16)

Securities Acts Status

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

(Section 17)

Maintenance of Corporate Existence

The Institution will (i) maintain its corporate existence and will continue to operate as a not-for-profit institution for charitable purposes as set forth in its certificate of incorporation, (ii) obtain, maintain and keep in full

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

(Section 18)

Environmental Quality Review and Historic Preservation

For the purpose of assisting the Authority in making any findings or determinations which might be required by (i) Article 8 of the New York Environmental Conservation Law and the regulations promulgated thereunder (collectively, "SEQR") or (ii) the New York State Historic Preservation Act of 1980 and the regulations promulgated thereunder (collectively, the "Preservation Act"), the Institution agrees as follows:

(a) it has prepared and will prepare such documents, if any, as the Authority or other governmental body having primary responsibility under SEQR or the Preservation Act determines are required by SEQR or the Preservation Act, in such form and containing such information in such detail as the Authority or such other governmental body determines is required by SEQR or the Preservation Act, which documents are or shall be accurate in all material respects; and

(b) it has reviewed either:

(1) the determination of the Authority or other governmental body having primary responsibility under SEQR relative to the Project to the effect that the Project will not have a significant adverse impact on the environment; or

(2) the written findings by the Authority or other governmental body having primary responsibility under SEQR relative to the Project that:

(i) consistent with social, economic and other considerations of State policy, all practicable means have been and will be taken with respect to the Project to minimize or avoid adverse environmental effects; and

(ii) all practicable means will be taken with respect to the Project to minimize or avoid adverse environmental effects;

(3) it will in all respects undertake each Project in a manner consistent with the findings or determination of the Authority or other governmental body having primary responsibility under SEQR relative to each respective Project; and

If the Authority determines that any action is required to be taken in connection with any component of the Project pursuant to the Preservation Act, then prior to the expenditure of bond proceeds for that component, the provisions of the Preservation Act shall have been complied with.

(Section 19)

Use of the Project

The Institution agrees that the portion of the project financed with the proceeds of the Bonds issued pursuant to the Resolution shall be occupied and used by the Institution 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, and the statutory and regulatory powers of the Department of Health, the Institution shall have sole and exclusive control of, possession of and responsibility for (i) the Project and all Mortgaged Property, (ii) the operation of the Project and all Mortgaged Property and supervision of the activities conducted therein or in connection with any part thereof, and (iii) the maintenance, repair and replacement of the Project and all Mortgaged Property.

(Section 20)

Restrictions on Religious Use

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

(Section 21)

Maintenance, Repair and Replacement

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

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

(Section 22)

Covenant as to Insurance

1. The Institution agrees to maintain or cause to be maintained insurance with insurance companies or by means of self-insurance, insurance of such type, against such risks and in such amounts as are customarily carried by institutions located in the State 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.

2. 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.

3. 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.

(Section 23)

Damage or Condemnation

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

(a) if within 120 days from the receipt by the Authority of actual notice or knowledge of the occurrence, the Institution, the Authority and the Credit Facility Provider agree in writing that the Project or Mortgaged Property or the affected portion thereof shall be repaired, replaced or restored, the Institution shall proceed to repair, replace or restore the Project or Mortgaged Property or the affected portion thereof, to its original condition insofar as possible with such changes and additions as shall be appropriate to the needs of the Institution and approved in writing by the Authority and the Credit Facility Provider. The funds required for such repair, replacement or restoration shall be paid from time to time as the work progresses, subject to such conditions and limitations as the Authority and the Credit Facility Provider may

reasonably impose, from the proceeds of insurance, condemnation or eminent domain awards received by reason of such occurrence and, to the extent such proceeds are not sufficient, from funds to be provided by the Institution; or

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

(Section 24)

Taxes and Assessments

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

(Section 25)

Defaults and Remedies

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

(a) the Institution shall default in the timely payment of any amount payable pursuant to the Loan Agreement or the payment of any other amounts required to be delivered or paid in accordance with the Loan Agreement or with the Resolution;

(b) the Institution defaults in the due and punctual performance of any other covenant 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 not capable of

being cured within such thirty (30) day period, the Institution has proceeded with due diligence to cure default within such thirty (30) day period;

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

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

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

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

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

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

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

(j) reserved

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

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

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

(n) a final judgment for the payment of money which in the judgment of the Authority will adversely affect the rights of the Bondholders shall be rendered against the Institution and at any time after thirty (30) days from the entry thereof, (i) such judgment shall not have been discharged or (ii) the

Institution shall not have taken and be diligently prosecuting an appeal therefrom or from the order, decree or process upon which or pursuant to which such judgment shall have been granted or entered, and shall not have caused, within thirty (30) days, the execution of or levy under such judgment, order, decree or process or the enforcement thereof to have been stayed pending determination of such appeal.

2. Subject to the terms of the Assignment and the Assignment Agreement, upon the occurrence of an Event of Default, the Authority shall provide to the Trustee and the Credit Facility Provider written notice thereof, upon obtaining actual knowledge thereof, and may take any one or more of the following actions; provided, however, that in the case of an Event of Default specified in paragraph 1 above accompanied by a written notice from such Credit Facility Provider to the Trustee directing the Trustee to cause an acceleration of the Bonds, the Authority shall take the action set forth in (a) below.

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

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

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

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

(e) realize upon any security interest which the Authority may then have in the pledge and assignment of the Gross Receipts and the rights to receive the same, all to the extent provided in the Loan Agreement, by any one or more of the following actions: (i) enter the Institution and 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 checks or other orders for payment of money and moneys in the possession of the Institution representing Gross Receipts or proceeds thereof; (ii) 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 the Authority may, in its discretion, immediately collect the entire amount of interest, principal, and Sinking Fund Installments, if any, coming due with respect to the Bonds on the next Interest Payment Date, to the extent of Gross Receipts, and may continue to do so on the first day of each month to the extent of amounts due to the Authority under the Loan Agreement, with respect to Gross Receipts, 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; (iii) 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; (iv) 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 that 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, and provided further that the Authority in its sole discretion may authorize the Institution to make withdrawals from such fund or account for its corporate purposes, and provided further that the requirement to make such deposits shall cease and the balance of such fund or account shall be paid to the Institution when all Events of Default under the Loan Agreement by the Institution have been cured; (v) 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; and (vi) endorse in the name of the Institution any checks or other orders for the payment of money representing any unpaid assigned Gross Receipts or the proceeds thereof;

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

(g) permit, direct or request the Trustee to liquidate all or any portion of the assets of the Debt Service Reserve Fund by selling the same at public or private sale in any commercially reasonable manner and apply the proceeds thereof and any dividends or interest received on investments thereof to the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of and interest on Bonds, or any other obligation or liability of the Institution or the Authority arising from the Loan Agreement, or from the Resolution;

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

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

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

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

(Section 29)

Limitations on Agreements

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

(Section 33)

Arbitrage

Each of the Institution and the Authority covenants that it shall take no action, nor shall it approve the Trustee's taking any action or 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. Neither the Institution nor any "related person" (as such term is defined for purposes of Section 148 of the Code) shall purchase Bonds other than for delivery to and cancellation by the Trustee, unless the Trustee shall receive an opinion of Bond Counsel to the effect that the purchase by the Institution or by a related person of Bonds will not cause interest on the Bonds to be included in the gross income of the owners of such 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.

(Section 33)

Certificate as to Representations and Warranties

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

(Section 37)

Amendments to Loan Agreement and Reimbursement Agreement; Substitute Credit Facility

The Loan Agreement may be amended only in accordance with the Resolution, the Assignment and the Assignment Agreement. Each amendment shall be made by an instrument in writing signed by the Institution and the Authority, an executed counterpart of which shall be filed with the Trustee. The Institution also covenants that (i) it shall not amend or supplement any Reimbursement Agreement (which covenant shall not apply to waivers) nor shall it execute a reimbursement agreement to provide for a Substitute Credit Facility, in either case, without the prior written consent of the Authority, which shall not be unreasonably withheld or delayed and (ii) it shall promptly provide a copy of any amendment or supplement to any Reimbursement Agreement to the Trustee.

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

(Section 41)

Termination

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

(Section 43)

Maintenance Covenants

A. Days Cash on Hand Covenant

(i) **Days Cash on Hand Requirement.** The Institution covenants to have on each Testing Date, Days Cash on Hand at least equal to 180 days.

(ii) **Reporting Requirement.** On or prior to each Reporting Date, the Institution shall file with the Authority a certificate of an Authorized Officer of the Institution stating whether at the immediately preceding Testing Date the Days Cash on Hand requirement is satisfied and setting forth the calculation upon which such statement is based.

(iii) Remedies. If on any Testing Date the Institution does not satisfy the Days Cash on Hand requirement, the Authority may require the Institution to retain a Management Consultant. Failure to maintain the required Days Cash on Hand, however, shall not be an Event of Default under the Loan Agreement.

B. Occupancy Ratio Covenant

(i) Occupancy Ratio Requirement. The Institution covenants to have on each Testing Date, an Occupancy Ratio at least equal to 75.00%.

(ii) Reporting Requirement. On or prior to each Reporting Date, the Institution shall file with the Authority a certificate of an Authorized Officer of the Institution stating whether at the immediately preceding Testing Date the Occupancy Ratio requirement is satisfied and setting forth the calculation upon which such statement is based.

(iii) Remedies. If on any Testing Date the Institution does not satisfy the Occupancy Ratio requirement, the Authority may require the Institution to retain a Management Consultant. Failure to maintain the required Occupancy Ratio, however, shall not be an Event of Default under the Loan Agreement.

Management Consultant Call-In

A. Management Consultant Call-In. If the Authority elects to require the Institution to retain the services of a Management Consultant in accordance with Exhibit D, then the Authority shall, at its election which shall be exercised in writing within sixty (60) days of notice of the applicable covenant failure, request the Institution to engage, at the Institution's expense, a Management Consultant to review the operations and management of the Institution and any other matter deemed appropriate by the Authority and to make such recommendations with respect to such operations, management and other matters as will enable the Institution to comply with such covenants within a reasonable period acceptable to the Authority. The Institution shall engage a Management Consultant within sixty (60) days of such request by the Authority.

B. Compliance With Recommendations. Whenever a Management Consultant is required to be engaged by the Institution pursuant to this section, copies of the report and recommendations of such Management Consultant shall be filed with the Authority, the Trustee, the Board of Directors of the Institution and an Authorized Officer of the Institution no later than one hundred twenty (120) days following the date of the engagement of such Management Consultant. The Institution shall, to the extent feasible, promptly upon its receipt of such recommendations, and subject to applicable requirements or restrictions imposed by law or regulation, revise its methods of operation or collections or its debt and investment management and shall take such other action as shall be in conformity with such recommendations. If the Management Consultant fails to provide the report and recommendations within (120) days following the date of the engagement of such Management Consultant, through no fault of the Institution, a new Management Consultant shall be engaged. The Institution shall deliver to the Authority and the Trustee within forty-five (45) days of receipt of such Management Consultant's report; (A) a report setting forth in reasonable detail the steps the Institution proposes to take to implement the recommendations of such Management Consultant; and (B) a certified copy of a resolution adopted by the Board of Trustees of the Institution accepting both the Management Consultant's report and the report prepared by the Institution as required in clause (A) hereof; and, subsequently, (C) quarterly reports demonstrating the progress made by the Institution in implementing the recommendations of the Management Consultant.

If the Institution complies in all material respects with the reasonable recommendations of the Management Consultant, the Institution will be deemed to have complied with the covenants contained in Section 2 of Exhibit D for the Institution's Fiscal Year in which the Management Consultant's report is delivered and the next succeeding Fiscal Year.

Exceptions

Notwithstanding the foregoing, the Institution will not be considered to have failed to meet the Days Cash on Hand requirement in accordance with Section 2A above if the Institution can demonstrate that such failure was

solely due to a change in generally accepted accounting principles applicable to the Institution or to the application to the Institution of generally accepted accounting principles not previously applicable to the Institution.

Amendments

The Authority and the Institution may, without obtaining the consent of the Trustee, the Credit Facility Provider or the Bondholders, amend the provisions of Exhibit D and the related definitions upon which the calculations included in Exhibit D are based to provide for other alternative measures of the Institution's performance and ability to incur additional Indebtedness.

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**SUMMARY OF CERTAIN PROVISIONS
OF THE RESOLUTIONS**

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SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS

The following is a brief summary of certain provisions of the Resolution, the Series 2012 Resolution and the Bond Series Certificate (collectively, the “Resolutions”) pertaining to the Bonds. This summary does not purport to be complete and reference is made to the Resolutions for full and complete statements of each of their provisions. The headings below are not part of the Resolutions but have been added for ease of reference only. All parenthetical section references are to sections in the Resolution, the Series Resolution or the Bond Series Certificate, respectively, unless otherwise indicated. Capitalized terms used in this summary which are not defined in the body of the Official Statement shall have the meanings ascribed to them in Appendix A.

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 F.F.T. Senior Communities, Inc. 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 provided, however, that each Series of Bonds may be equally and ratably secured by the Gross Receipts and/or the Mortgaged Property as provided in the Applicable Series Resolutions. Except as otherwise provided by the Applicable Series Resolutions, each such Series of Bonds shall be separate and apart from any other Series of Bonds authorized by a different Series Resolution and the Holders of Bonds of such Series shall not be entitled to the rights and benefits conferred upon the Holders of Bonds of any other Series of Bonds by the respective Series Resolution authorizing such Series of Bonds. With respect to each Series of Bonds, in consideration of the purchase and acceptance of any and all of the Bonds of a Series authorized to be issued under the Resolution and under a Series Resolution by those who shall hold or own the same from time to time, the Resolution and such Series Resolution shall be deemed to be and shall constitute a contract among the Authority, the Trustee and the Holders from time to time of such Bonds of a Series, and the pledge and assignment to the Trustee made in the Resolution and the covenants and agreements set forth to be performed by or on behalf of the Authority shall be for the equal and ratable benefit, protection and security of the Holders of any and all of the Bonds of such Series, all of which, regardless of the time or times of their 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 by the Resolution or by a Series Resolution.

(Section 1.03)

Option of the Authority to Assign Certain Rights and Remedies

With respect to each Series of Bonds, as security and collateral for (x) the payment of the principal, Sinking Fund Installments, if any, purchase price, and Redemption Price of, and interest on, the Outstanding Bonds of such Series and for the performance of any other obligation of the Authority under the Resolution and under the Applicable Series Resolution, and (y) the payment of all amounts owed to a Provider of a Credit Facility and for the performance of any other obligations of the Institution thereunder, the Authority may assign to the Trustee and to the Applicable Provider of a Credit Facility all of the Authority’s estate, right, title, interest and claim in, to and under the Applicable Loan Agreement and Mortgage, subject only to the terms of the Applicable Intercreditor Agreement, and together with all rights, powers, security interests, privileges, options and other benefits of the Authority thereunder, including, without limitation, the immediate and continuing right to receive, enforce and collect (and to apply the same in accordance with the Resolution) all Revenues, insurance proceeds, sale proceeds and other payments and other security now or hereafter payable to or receivable by the Authority under the Applicable Mortgage or Loan Agreement and the right to make all waivers and agreements in the name and on behalf of the Authority, and to perform all other necessary and appropriate acts under the Applicable Loan Agreement and Mortgage, subject to the following conditions: (a) that the Holders of the Bonds shall not be responsible or liable in any manner or to any extent for the performance of any of the covenants or provisions thereof to be performed by the Authority; and (b) that the Applicable Mortgage and the security interest in Gross Receipts granted to the Authority pursuant to the Applicable Loan Agreement may not be assigned by any party thereto without the written consent of the other parties thereto except to the Trustee and the Applicable Provider of a Credit Facility as

permitted by the Resolution and except as provided in the Intercreditor Agreement; provided, however, that any grant, pledge and assignment of moneys, revenues, accounts, rights or other property of the Institution made with respect to the Applicable Mortgage and the security interest in Gross Receipts granted to the Authority pursuant to the Applicable Loan Agreement pursuant to this paragraph shall secure only the payment of amounts payable under the Applicable Mortgage and Loan Agreement; provided, further, that the Authority shall retain a parity interest in the proceeds of any remedial action with respect to the security interest in Gross Receipts granted to the Authority pursuant to the Applicable Loan Agreement in an amount equal to the Institution's obligations to the Authority and to the right to the payment of fees, costs and expenses of the Authority payable pursuant to the Applicable Loan Agreement, the rights to the indemnities provided thereby, and the rights to the payments, if any, required to be made pursuant to such indemnities. In addition, to the extent necessary to reflect the issuance of a Credit Facility with respect to the Applicable Series of Bonds, an Authorized Officer of the Trustee shall, upon request of an Authorized Officer of the Authority, execute and deliver such amendments to or supplements of such assignment as shall be necessary to add the Provider of such Credit Facility as beneficiary of such assignment or to accept a re-assignment from such Credit Facility Provider pursuant to the terms of the Applicable Intercreditor Agreement.

At or prior to the initial issuance and delivery of a Series of Bonds to be issued under the Resolution, upon delivery to the Trustee of evidence in writing from Authorized Officers of both the Authority and the Applicable Provider of a Credit Facility with respect to such Series of Bonds to the effect that the Intercreditor Agreement among the Authority, such Provider of a Credit Facility and the Trustee is in form and substance satisfactory to them (which may be evidenced by the execution thereof by the Authority and such Provider of a Credit Facility), an Authorized Officer of the Trustee shall, upon determination by the Trustee that such Intercreditor Agreement is in form and substance satisfactory to it (which determination by the Trustee shall not be unreasonably withheld or delayed), execute and deliver to the Authority and such Provider of a Credit Facility such Intercreditor Agreement. In addition, an Authorized Officer of the Trustee shall execute and deliver to the Authority and such Provider of a Credit Facility such amendments to or supplements of such Intercreditor Agreement as may be requested by an Authorized Officer of the Authority.

(Section 1.04)

Refunding Bonds

All or any portion of one or more Series of Refunding Bonds may be authenticated and delivered upon original issuance to refund all Outstanding Bonds, one or more Series of Outstanding Bonds, a portion of a Series of Outstanding Bonds or a portion of a maturity of a Series of Outstanding Bonds. The Authority may issue Refunding Bonds of a Series in an aggregate principal amount sufficient, together with other money available therefor, to accomplish such refunding and to make such deposits required by the provisions of the Resolution and of the Series Resolution authorizing such Series of Refunding Bonds.

The Refunding Bonds of such Series shall be authenticated and delivered by the Trustee only upon receipt by the Trustee (in addition to the documents required by the Resolution) of:

- (a) If the Bonds to be refunded are to be redeemed, irrevocable instructions to the Trustee, satisfactory to it, to give due notice of redemption of all the Bonds to be refunded on a redemption date specified in such instructions;
- (b) Irrevocable instructions to the Trustee, satisfactory to it, to duly give the notice provided for in the Resolution to the Holders of the Bonds being refunded;
- (c) Either (i) money in an amount sufficient to effect payment of the principal at maturity or the applicable Redemption Price of the Bonds to be refunded, together with accrued interest on such Bonds to the maturity or redemption date, which money shall be held by the Trustee or any one or more of the Paying Agents in a separate fund or account irrevocably in trust for and assigned to the respective Holders of the Bonds to be refunded or (ii) Defeasance Securities in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications, as shall be necessary to comply with the provisions of the Resolution, which Defeasance Securities and money shall be held in trust and used only as provided in the Resolution; and

(d) A certificate of an Authorized Officer of the Authority containing such additional statements as may be reasonably necessary to show compliance with the requirements of the Resolution.

The proceeds, including accrued interest, of Refunding Bonds shall be applied simultaneously with the delivery of such Refunding Bonds in the manner provided in or as determined in accordance with the Series Resolution authorizing such Refunding Bonds or the Bond Series Certificate relating to such Series of Refunding Bonds.

(Section 2.04)

Additional Obligations; Incurrence of 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, entitled to a charge, lien or right prior or equal to the charge or lien created by the Resolution, or prior or equal to the rights of the Authority and Holders of Bonds as provided by the Resolution or with respect to the moneys pledged thereunder.

(Section 2.05)

Redemption and Purchase of Bonds

Authorization of Redemption

Bonds of a Series subject to redemption or purchase prior to maturity pursuant to the Resolution or to a Series Resolution or a Bond Series Certificate shall be redeemable or purchasable, in accordance with the Resolution, at such times, at such Redemption Prices or purchase prices, and upon such terms as may otherwise be specified in the Resolution or in the Series Resolution authorizing such Series or 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 other than through the application of mandatory Sinking Fund Installments, 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 lesser 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 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 of the Resolution or pursuant to an Applicable Series Resolution, the Trustee is required 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, 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 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 product of the lowest denomination in which the Bonds of such Series are authorized to be issued times the number of numbers assigned to it and so selected.

For purposes of the Resolution, 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 which shall be identified pursuant to the Resolution, the maturity dates and interest rates of the Bonds to be redeemed and the date such Bonds were issued; (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 conditions, a statement that describes the condition to such redemption. Any notice of redemption 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 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 Holders of the Bonds to be redeemed in the manner provided in the Resolution. Such certificate shall be conclusive evidence that such notice was given in the manner required by the Resolution. The failure of any Holder of a Bond of 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.

(Section 4.05)

Payment of Redeemed Bonds

Notice having been given by mail in the manner provided in the Resolution, the Bonds of a Series or portions thereof so called for redemption shall become due and payable on the redemption date so designated at the Redemption Price, plus interest accrued and unpaid to the redemption date, and, upon presentation and surrender of such Bonds, other than Book Entry Bonds, 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, such Bonds, or portions thereof, shall be paid at the Redemption Price plus interest accrued and unpaid to the redemption date. For so long as the Bonds shall not be issued in book-entry only form, payment of the Redemption Price 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 redeemed, by wire transfer to such registered owner at the wire transfer address in the continental United States to which such registered owner has, at the time such Bonds are surrendered to the Trustee, directed in writing the Trustee to wire such Redemption Price. If there shall be drawn for redemption less than all of the principal amount of a registered Bond of a Series, the Authority shall execute and the Trustee shall authenticate and deliver, upon the surrender of such Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the registered Bond so surrendered, Bonds of like Series, maturity and tenor in any of the authorized denominations. If, on the redemption date, money for the redemption of all Bonds of a Series or portions thereof to be redeemed, together with interest accrued and unpaid thereon to the redemption date, shall be held by the Trustee and Paying Agents so as to be available therefor on such date and if notice of redemption shall have been mailed as aforesaid, then, from and after the redemption date, interest on such Bonds or portions thereof so called for redemption shall cease to accrue and such Bonds shall no longer be considered to be Outstanding. If such money shall not be so available on the redemption date, such Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

(Section 4.06)

Purchase of Purchased Bonds

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 to such purchase of the Authority and each Applicable Provider. All such purchases may be subject to conditions of the Authority, the Trustee and any Provider 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; Funds and Accounts; Revenues and Application Thereof

Pledge of Revenues and Gross Receipts

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 or account established solely for purposes of making payments to reimburse a Provider of a Credit Facility or Liquidity Facility, are pursuant to the Resolution, subject to the adoption of a Series Resolution, pledged and assigned to the Trustee and the Applicable Provider, if any, subject to the terms of the Intercreditor Agreement, as security for the payment of the principal and Redemption Price of and interest on such Series of Bonds, all in accordance with the provisions of the Resolution and such Series of Bonds. 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 Bonds of more than one Series may be equally and ratably secured with respect to the Gross Receipts and/or the Mortgaged Property, to the extent required by, and consented to by, the Applicable Providers. The pledge made pursuant to 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 Applicable Gross Receipts and all funds and accounts established pursuant to the Resolution and by a Series Resolution which are pledged pursuant to the Resolution shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid, binding and perfected as against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of whether such parties have notice thereof. No instrument by which such pledge is created nor any financing statement need be recorded or filed. The Bonds 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 Applicable Gross Receipts and the funds and accounts established by the Resolution and pursuant to a Series Resolution and which are pledged as provided in the Resolution, which pledge shall constitute a first priority lien thereon, subject only to, with respect to the Gross Receipts, the Prior Pledges and any existing or future liens securing Parity Indebtedness.

In furtherance of the Resolution as applicable to the Series 2012 Bonds, the proceeds from the sale of the Series 2012 Bonds, all Revenues arising under the Loan Agreement, the Authority's security interest in the Gross Receipts and, except as otherwise provided in the Resolution, the Series Resolution and in the Bond Series Certificate, all funds and accounts established by the Bond Series Certificate, other than the Arbitrage Rebate Fund, Purchase and Remarketing Fund and Credit Facility Repayment Fund, are hereby pledged and assigned to the Trustee and the Credit Facility Provider, subject to the terms of the Assignment Agreement, as security for the payment of the principal and Redemption Price of and interest on the Series 2012 Bonds and amounts due the Credit Facility Provider under the Reimbursement Agreement, all in accordance with the provisions of the Bond Series Certificate and thereof. This pledge relates only to the Series 2012 Bonds and no other Series of Bonds.

(Sections 5.01 of the Resolution and the Bond Series Certificate Section 5.01)

Establishment of Funds and Accounts

In addition to such funds as may be provided by a Series Resolution or a 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 the Resolution, any Series Resolution or any Bond Series Certificate:

Construction Fund;

Debt Service Fund;

Arbitrage Rebate Fund; and

Debt Service Reserve Fund, if any.

In addition to the funds required to be established by the Resolution, the Authority may for purposes of internal accounting establish such other accounts and subaccounts as the Authority or the Trustee deems proper, necessary or desirable in a Series Resolution or a Bond Series Certificate. In addition to the accounts and subaccounts, if any, required to be established by the Resolution or by any Series Resolution, or any Bond Series Certificate, the Authority may for purposes of internal accounting establish such other accounts and subaccounts as the Authority or the Trustee deems proper, necessary or desirable. All money at any time deposited in any fund, account or subaccount created and pledged by the Resolution or by a Series Resolution or Bond Series Certificate or required thereby to be created shall be held in trust for the benefit of the Holders of Bonds of such Series, but shall nevertheless be disbursed, allocated and applied solely for the uses and purposes provided in the Resolution, unless otherwise provided in the Applicable Series Resolution or Bond Series Certificate relating to such Bonds; 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 or Bond Series Certificate 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 Holders of Bonds other than such Option Bonds and are pledged by the Resolution for the payment of the purchase price of such Option Bonds.

The Bond Series Certificate establishes in the Debt Service Fund (i) a Credit Facility Account, (ii) a Redemption Account, and (iii) an Institution Payments Account. The Credit Facility Account shall be held by the Trustee for the benefit of the holders of the Series 2012 Bonds and the Credit Facility Provider in accordance with the terms of the Bond Series Certificate; *provided, however* notwithstanding anything to the contrary contained in the Bond Series Certificate or in the Resolution, amounts on deposit in the Credit Facility Account may be invested only as contemplated by the Bond Series Certificate.

(Section 5.02 and Bond Series Certificate Section 5.03)

Debt Service Fund

(a) 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; and

(iii) the Sinking Fund Installments or other amounts related to a mandatory redemption, if any, due and payable on such interest payment date on Outstanding Bonds of a Series.

(b) In the event that on the second (2nd) Business Day preceding any interest payment date the amount in the Debt Service Fund shall be less than the amounts, respectively, required for payment of interest on the Outstanding Bonds, for the payment of principal of such Outstanding Bonds, for the payment of Sinking Fund Installments of such Outstanding Bonds due and payable on such interest payment date or for the payment of the purchase price or Redemption Price of such Outstanding Bonds theretofore contracted to be purchased or called for redemption, plus accrued interest thereon to the date of purchase or redemption, or to reimburse the Applicable Providers for draws on the Applicable Credit Facility and Liquidity Facility applied to such purpose, the Trustee shall withdraw from the Debt Service Reserve Fund and deposit to the Debt Service Fund such amounts as will increase the amount in the Debt Service Fund to an amount sufficient to make such payments. The Trustee shall notify the Authority, each Provider, and the Institution of a withdrawal from the Debt Service Reserve Fund.

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

(c) Notwithstanding the provisions of the above paragraph (a), 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 date 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 of a Series to be redeemed from such Sinking Fund Installment. In addition, the Institution pursuant to the Applicable Loan Agreement may deliver, at any time subsequent to July 1 of any Bond Year, but in no event less than forty-five (45) days prior to the succeeding date on which a Sinking Fund Installment is scheduled to be due, to the Trustee for cancellation one or more Term Bonds of the Series and maturity to be so redeemed on such date from such Sinking Fund Installment.

(d) Any Term Bond so purchased and delivered to the Trustee 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 date, provided, however, that such Term Bond is canceled by the Trustee prior to the date on which notice of redemption is given.

(e) Money in the Debt Service Fund in excess of the amount required to pay the principal and Sinking Fund Installments of Outstanding Bonds of a Series payable on and prior to the next succeeding July 1, the interest on Outstanding Bonds of a Series payable on and prior to the earlier of the next succeeding July 1 or January 1, assuming that a 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 the purchase price or Redemption Price of Outstanding Bonds of a Series theretofore contracted to be purchased or called for redemption, plus accrued interest thereon to the date of purchase or redemption, shall be applied by the Trustee in accordance with the direction of an Authorized Officer of the Authority to the purchase of Outstanding Bonds of a Series at purchase prices not exceeding the Redemption Price applicable on the next interest payment date on which such Bonds are redeemable, plus accrued and unpaid interest to such date, at such times, at such purchase prices and in such manner as an Authorized Officer of the Authority shall direct. If sixty (60) days prior to the end of a Bond Year an excess, calculated as aforesaid, exists in the Debt Service Fund of a Series of Bonds, such money shall be

applied by the Trustee if directed by an Authorized Officer of the Authority given pursuant to the Resolution to the redemption of Bonds of such Series as provided in the Resolution, at the Redemption Prices specified in the Applicable Series Resolution authorizing the issuance of the Bonds to be redeemed or the Bond Series Certificate relating to such Bonds.

(Section 5.06)

Credit Facility Repayment Fund

The Bond Series Certificate establishes a Credit Facility Repayment Fund. The Credit Facility Repayment Fund is to be held by the Trustee for the exclusive benefit of the Credit Facility Provider with respect to the Series 2012 Bonds. On the day that amounts drawn under the Credit Facility for the payment of interest on, principal of or the redemption price of Series 2012 Bonds redeemed are received by the Trustee and deposited in the Credit Facility Account of the Debt Service Fund, the Trustee shall withdraw from the Institution Payments Account of the Debt Service Fund an amount sufficient to reimburse the applicable Credit Facility Provider for the amount of such draw under the Credit Facility and for any other previously unreimbursed draw on the Credit Facility for such purposes (but not for purchases of tendered or deemed tendered Series 2012 Bonds), and shall transfer such amounts to the Credit Facility Repayment Fund. Subject to the succeeding sentence, on any day on which the Trustee has received amounts drawn under a Credit Facility for the payment of interest, principal or redemption price, the Trustee shall withdraw from the Credit Facility Repayment Fund an amount sufficient to reimburse the Credit Facility Provider under whose Credit Facility funds were drawn for the amount of such draw and shall transfer such amount to the Credit Facility Provider. The Trustee shall not transfer moneys from the Debt Service Fund or any other fund or account to reimburse the Credit Facility Provider for amounts drawn on such Credit Facility until after the amounts drawn on the Credit Facility shall have been deposited into the Credit Facility Account. The Trustee shall notify the Institution in writing promptly following each payment to the Credit Facility Provider with amounts in the Credit Facility Repayment Fund.

(Bond Series Certificate Section 5.05)

Purchase and Remarketing Fund

The Resolution, the Series 2012 Resolution and the Bond Series Certificate, establish a Purchase and Remarketing Fund to be held by the Tender Agent for the benefit of the holders of the Series 2012 Bonds that have been tendered and the Credit Facility Provider, with the following accounts therein: (i) the Purchase Account, (ii) the Remarketing Proceeds Account and (iii) the Authority Available Moneys Account. The Purchase Account, the Remarketing Proceeds Account, the Authority Available Moneys Account and the moneys derived from the remarketing of the Series 2012 Bonds (including Bank Bonds) or from a Credit Facility from time to time on deposit therein are pledged by the Authority, and the Authority grants a security interest therein, to the Trustee and the Credit Facility Provider, subject to the terms of the Assignment Agreement, to secure payment of the Purchase Price of Tendered Bonds and the obligations of the Institution to the Credit Facility Provider under the Reimbursement Agreement. Amounts in the Purchase Account, the Remarketing Proceeds Account and the Authority Available Moneys Account shall, except as otherwise described below, be held separate and apart from and not be commingled with amounts held in any other fund or account established under the Resolution or with any other moneys of the Authority, the Tender Agent or the Trustee. The moneys in such accounts within the Purchase and Remarketing Fund shall be held uninvested and without liability on the part of the Tender Agent or the Trustee for interest thereon.

All amounts received by the Tender Agent from a Remarketing Agent representing the proceeds from the remarketing of Tendered Bonds (including Bank Bonds) shall be deposited in the Remarketing Proceeds Account and shall be used only for the payments of the Purchase Price of Tendered Bonds (including Bank Bonds) so remarketed as provided in the Resolution. Only amounts derived from a drawing on a Credit Facility to pay the Purchase Price of Tendered Bonds that are not remarketed shall be deposited in the Purchase Account and such amounts shall be used only for the payment of the Purchase Price of Tendered Bonds in the manner at the times specified in the Bond Series Certificate. All other Available Moneys, if any, to be applied to the payment of the Purchase Price of Tendered Bonds shall be deposited in the Authority Available Moneys Account and used only for the payment of the Purchase Price of Tendered Bonds in the manner specified in the Bond Series Certificate. No

moneys provided by the Authority or the Institution shall be accepted for deposit to the credit of the Purchase Account of the Remarketing Proceeds Account, nor shall any such moneys, if deposited into the Purchase Account or the Remarketing Proceeds Account by mistake or otherwise, be used to pay the Purchase Price of Tendered Bonds. Moneys in the Purchase and Remarketing Fund shall be held in Eligible Accounts. The Tender Agent shall hold all moneys delivered to it for the purchase of Series 2012 Bonds in trust as agent and bailee of, and in escrow for the benefit of, the person or entity which shall have so delivered such moneys until such Series 2012 Bonds are purchased with such moneys.

The Purchase Price of Tendered Bonds shall be paid solely with available moneys on deposit in the accounts within the Purchase and Remarketing Fund in the following order of priority:

First: From Available Moneys in the Remarketing Proceeds Account;

Second: From Available Moneys in the Purchase Account; and

Third: From Available Moneys in the Authority Available Moneys Account.

(Bond Series Certificate Section 5.02)

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 or the Bond Series Certificate relating to such Series. 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 Applicable Loan Agreement are required to be deposited therein.

Except as otherwise provided in the Resolution and in any Applicable Series Resolution or 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 such Series of Bonds. The Applicable Series Resolution or Bond Series Certificate may provide for the establishment of a Capitalized Interest Account in the Construction Fund to pay or provide for the payment of interest on such Series of Bonds and fees related to the Applicable Provider of a Credit Facility and the Applicable remarketing fees of such Series of Bonds during the construction of a Project and for a reasonable time after the completion of such Project. The Applicable Series Resolution or Bond Series Certificate may provide for the establishment of an Equity Account in the Construction Fund to pay or provide for a portion of the Costs of Issuance and the Costs of the Project.

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 and approved in writing by the Provider of a Credit Facility, subject to the provisions of an applicable disbursement agreement, if any. Payments for Costs of each 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 such Project and approved in writing by the Provider of a Credit Facility, if any, subject to the provisions of an applicable disbursement agreement, if any, except that payments to pay interest on Bonds of a Series and fees of the Provider of a Credit Facility 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 Capitalized Interest Account of the Construction Fund to the Debt Service Fund or to pay such fees to the Provider of a Credit Facility, the Remarketing Agent or the Authority.

Unless the Mortgage or the Intercreditor Agreement requires otherwise, 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 the Project, transferred to the Debt Service Fund for the redemption of Bonds in accordance with the Applicable Series Resolution or Bond Series Certificate.

A Project shall be deemed to be complete upon delivery to the Authority, the Provider of a Credit Facility and the Trustee of a certificate signed by an Authorized Officer of the Institution, which certificate shall be delivered as soon as practicable after the date of completion of such Project, or upon delivery to the Institution, the Provider of a Credit Facility and the Trustee of a certificate signed by an Authorized Officer of the Authority which certificate may be delivered at any time after completion of such Project. Each such certificate shall state that the Project has been completed substantially in accordance with the plans and specifications, if any, applicable to such Project and that such Project is ready for occupancy or use, and, in the case of a certificate of an Authorized Officer of the Institution, shall specify the date of completion.

Upon receipt by the Trustee of a certificate relating to the completion of a Project, the money, 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; and

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 Fund Requirement; and

Third: To the Debt Service Fund, to be applied in accordance with the Resolution, any balance remaining.

(Section 5.04)

Deposit and Allocation of Revenues

Notwithstanding anything to the contrary in the Resolution, the Revenues and any other moneys that, by any of the provisions of the 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 Institution Payments Account of the Debt Service Fund each month, the amount, if any, necessary to make the amount in the Debt Service Fund equal to:

the product of the number of months since the later of the date of the issuance of the Series 2012 Bonds and the immediately preceding Interest Payment Date times one-sixth (1/6) of the interest coming due on the Series 2012 Bonds on the July immediately succeeding Interest Payment Date for such Bonds; *provided, however,* that, if there are less than six (6) such monthly payment dates between the issuance of the Series 2012 Bonds and the first such Interest Payment Date on the Series 2012 Bonds, on each payment date prior to such Interest Payment Date the Institution shall pay with respect to such Series 2012 Bonds an amount equal to the interest coming due on such Series 2012 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 months the date of issuance is prior to the first Interest Payment Date on the Series 2012 Bonds; *provided, further,* that while the Series 2012 Bonds are in the Daily Rate Mode or the Weekly Rate Mode with interest payable monthly, such transfer will be made by the third day preceding the monthly Interest Payment Date (or if such third day is not a Business Day, on the preceding Business Day) in an amount at least equal to the interest which will accrue on the Series 2012 Bonds through the Interest Payment Date from the date of issuance of the Series 2012 Bonds or the preceding Interest Payment Date through which interest has been paid; and

the product of the number of months since the later of the date of the issuance of the Series 2012 Bonds and the immediately preceding July Interest Payment Date times one-twelfth (1/12) of the principal,

Sinking Fund Installments, if any, on the Series 2012 Bonds coming due or scheduled to be made on the next November Interest Payment Date; *provided, however*, that, if the date of issuance is less than twelve (12) months prior to the first July Interest Payment Date on which principal or Sinking Fund Installments come due or scheduled to be made on the Series 2012 Bonds, on each payment date prior to such July Interest Payment Date the Institution shall pay with respect to such Series 2012 Bonds an amount equal to the principal and Sinking Fund Installments of the Series 2012 Bonds coming due or are scheduled to be made on such July 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 the date of issuance is prior to such July Interest Payment Date; *provided, however*, with respect to Sinking Fund Installments of Option Bonds or Variable Interest Rate Bonds that come due in the months other than July, the terms of this subsection shall apply except that references to July shall be replaced with the applicable month(s) in which the related Sinking Fund Installment comes due;

Second: To reimburse the Credit Facility Provider for amounts drawn under the Credit Facility that are then currently payable to the Credit Facility Provider and that have not been reimbursed from funds in the Credit Facility Repayment Fund under the Bond Series Certificate.

Third: Upon the written direction of an Authorized Officer of the Authority in accordance with the Tax Certificate, to the Arbitrage Rebate Fund for such Series in the amount set forth in such direction; and

Fourth: To the Institution Payment Account of the Debt Service Fund for disbursement to the Authority upon receipt by the Trustee of a certificate signed by an Authorized Officer of the Authority, stating in reasonable detail the amounts payable, unless otherwise paid, to the Authority for:

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 Bond Series Certificate,

all other expenditures reasonably and necessarily incurred by the Authority in connection with the financing of the Project, including expenses incurred by the Authority to compel full and punctual performance of all the provisions of the Loan Agreement in accordance with the terms thereof, and

any fees of the Authority.

(Bond Series Certificate Section 5.04)

Debt Service Reserve Fund

The Trustee shall deposit to the credit of the Debt Service Reserve Fund, if any, such proceeds of the sale of Bonds of a Series, if any, as shall be prescribed in the applicable Series Resolution or the applicable Bond Series Certificate, and any Revenues, moneys, Government Obligations and Exempt Obligations as, by the provisions of the Loan Agreement are delivered to the Trustee by the Institution for the purposes of the Debt Service Reserve Fund. In lieu of or in substitution for moneys, Government Obligations or Exempt Obligations, the Authority may deposit or cause to be deposited with the Trustee a Reserve Fund Facility for the benefit of the Holders of the Bonds of a Series for all or any part of the Debt Service Reserve Fund Requirement; *provided*, except as may be otherwise provided in a Series Resolution or a Bond Series Certificate, (i) that any such surety bond or insurance policy shall be issued by an insurance company or association duly authorized to do business in the State and either (A) the claims paying ability of such insurance company or association is rated in the highest rating category accorded by a nationally recognized insurance rating agency or (B) obligations insured by a surety bond or an insurance policy issued by such company or association are rated, without regard to qualification of such rating by symbols such as “+” or “-” or numerical notation, in the highest rating category at the time such surety bond or insurance policy is issued by each of the Rating Services that then rates such obligations and (ii) that any letter of credit shall be issued by a bank, a trust company, a national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provision of law, a federal branch pursuant to the International Banking Act of 1978 or any successor

provision of law, or a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, the unsecured or uncollateralized long term debt obligations of which, or long term obligations secured or supported by a letter of credit issued by such person, are rated at the time such letter of credit is delivered, without regard to qualification of such rating by symbols such as “+” or “-” or numerical notation, in at least the second highest rating category by each of the Rating Services that then rates such obligations. In addition to the conditions and requirements set forth above, no Reserve Fund Facility shall be deposited in full or partial satisfaction of the Debt Service Reserve Fund Requirement unless the Trustee shall have received prior to such deposit (i) an opinion of counsel acceptable to each Provider to the effect that such Reserve Fund Facility has been duly authorized, executed and delivered by the Provider thereof and is valid, binding and enforceable in accordance with its terms, (ii) in the event such Provider is not a domestic entity, an opinion of foreign counsel in form and substance satisfactory to the Authority and (iii) in the event such Reserve Fund Facility is a letter of credit, an opinion of counsel acceptable to the Trustee substantially to the effect that payments under such letter of credit will not constitute avoidable preferences under Section 547 of the United States Bankruptcy Code in a case commenced by or against the Authority or the Institution thereunder or under any applicable provisions of the Debtor and Creditor Law of the State. Notwithstanding the foregoing, if at any time after a Reserve Fund Facility has been deposited with the Trustee the unsecured or uncollateralized long term debt of the Provider or the long term debt obligations secured or supported by a surety bond, insurance policy or letter of credit of the Provider is reduced below the ratings required by the second preceding paragraph, the Authority shall, either (i) replace or cause to be replaced said Reserve Fund Facility with another Reserve Fund Facility which satisfies the requirements of the second preceding paragraph or (ii) deposit or cause to be deposited in the Debt Service Reserve Fund an amount of moneys, Government Obligations or Exempt Obligations which meet the requirements of subdivision (a) of Section 6.02 of the Resolution which is equal to the value of the Reserve Fund Facility of such Provider, such deposits to be, as nearly as practicable, in ten equal semi-annual installments commencing on the earlier of the January 1 or July 1 next succeeding the reduction in said ratings.

Each such surety bond, insurance policy or letter of credit shall be payable (upon the giving of such notice as may be required thereby) on any date on which moneys are required to be withdrawn from the Debt Service Reserve Fund and such withdrawal cannot be made without obtaining payment under such Reserve Fund Facility.

For the purposes of the Resolution, in computing the amount on deposit in the Debt Service Reserve Fund, a Reserve Fund Facility shall be valued at the amount available to be paid thereunder on the date of computation; provided that, if the unsecured or uncollateralized long term debt of such Provider, or the long term debt obligations secured or supported by a surety bond, insurance policy or letter of credit of said Provider has been reduced below the ratings required by the first paragraph of this Section, said Reserve Fund Facility shall be valued at the lesser of (i) the amount available to be paid thereunder on the date of calculation and (ii) the difference between the amount available to be paid thereunder on the date of issue thereof and an amount equal to a fraction of such available amount the numerator of which is the aggregate number of interest payment dates which have elapsed since the date such ratings were reduced and the denominator of which is ten.

Moneys held for the credit of the Debt Service Reserve Fund shall be withdrawn by the Trustee and deposited to the credit of the Debt Service Fund at the times and in the amounts required to comply with the Resolution; provided that no payment under a Reserve Fund Facility shall be sought unless and until moneys are not available in the applicable Debt Service Reserve Fund and the amount required to be withdrawn from the Debt Service Reserve Fund pursuant to this subdivision cannot be withdrawn therefrom without obtaining payment under such Reserve Fund Facility; provided further, that, if more than one Reserve Fund Facility is held for the credit of the Debt Service Reserve Fund at the time moneys are to be withdrawn therefrom, the Trustee shall obtain payment under each such Reserve Fund Facility, pro rata, based upon the respective amounts then available to be paid thereunder. The Trustee shall provide notification as set forth in the Resolution of any withdrawal of moneys from the Debt Service Reserve Fund or payment of a Reserve Fund Facility immediately upon such withdrawal or payment.

With respect to any demand for payment under any Reserve Fund Facility deposited in the Debt Service Reserve Fund, the Trustee shall make such demand for payment in accordance with the terms of such

Reserve Fund Facility at the earliest time provided therein to assure the availability of moneys on the interest payment date for which such moneys are required.

Moneys and investments held for the credit of the Debt Service Reserve Fund in excess of the Debt Service Reserve Fund Requirement, upon direction of an Authorized Officer of the Authority, shall be withdrawn by the Trustee and (i) deposited in the Arbitrage Rebate Fund, Debt Service Fund or Construction Fund, (ii) paid to the Institution or (iii) applied by the Authority to pay the principal or Redemption Price of and interest on bonds of the Authority issued in connection with the Institution pursuant to resolutions other than the Resolution, in accordance with such direction; *provided, however*, that no such amount shall be withdrawn and deposited, paid or applied unless in the opinion of Bond Counsel such deposit, payment or application will not adversely affect the exclusion of interest on any Bonds from gross income for federal income tax purposes.

Notwithstanding the provisions of the Resolution, if, upon a Bond of a Series having been deemed to have been paid in accordance with the Resolution or redeemed prior to maturity from the proceeds of Bonds, bonds, notes or other obligations issued for such purpose, the moneys and investments held for the credit of the Debt Service Reserve Fund will exceed the Debt Service Reserve Fund Requirement, then the Trustee shall, simultaneously with such redemption or a deposit made in accordance with the Resolution, withdraw all or any portion of such excess from the Debt Service Reserve Fund upon the direction of an Authorized Officer of the Authority and either (i) apply such amount to the payment of the principal or Redemption Price of and interest on such Bond in accordance with the irrevocable instructions of the Authority, or (ii) either (x) fund any reserve for the payment of the principal and sinking fund installments of or interest on the bonds, notes or other obligations, if any, issued to provide for payment of such Bond if, in the opinion of Bond Counsel, application of such moneys to the use authorized in this clause (x) will not adversely affect the exclusion of interest on any Bonds from gross income for federal income tax purposes, (y) pay such amount to the Authority for deposit to the Construction Fund if, in the opinion of Bond Counsel, application of such moneys to the payment of Costs of the Project will not adversely affect the exclusion of interest on any Bonds from gross income for federal income tax purposes, or (z) apply such amount to such other purpose as may be approved in writing by the Authority if, in the opinion of Bond Counsel, application of such amount to such purpose will not adversely affect the exclusion of interest on any Bonds from gross income for federal income tax purposes; provided that after such withdrawal the amount remaining in the Debt Service Reserve Fund shall not be less than the Debt Service Reserve Fund Requirement.

Subject to the limitation described in the definition of Debt Service Reserve Fund Requirement, if upon a valuation, the moneys, investments and Reserve Fund Facilities held for the credit of the Debt Service Reserve Fund are less than the applicable Debt Service Reserve Fund Requirement, the Trustee shall immediately notify the Authority and the Institution of such deficiency and the Institution shall, as soon as practicable, but in no event later than fifteen (15) days after receipt of such notice, deliver to the Trustee moneys, Government Obligations, Exempt Obligations or Reserve Fund Facilities the value of which is sufficient to increase the amount in the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement. If the Institution has not made timely payment, the Trustee shall immediately notify the Authority of such non-payment.

(Section 5.07)

Arbitrage Rebate Fund

The Trustee shall deposit to the Arbitrage Rebate Fund any money delivered to it by the Institution for deposit therein and, notwithstanding any other provisions 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 an Applicable Credit Facility or 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 a Series of 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 Bonds and (ii) if and to the extent required by the Code, 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 5.08)

Application of Money 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 the Debt Service Reserve Fund, if any, 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 the Resolution for the payment of the Outstanding Bonds 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, and at the direction of the Institution the Authority shall (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 as provided in Article IV of the Resolution, or (ii) give the Trustee irrevocable instructions in accordance with the Resolution and make provision for the payment of such Outstanding Bonds at the maturity or redemption dates thereof in accordance therewith.

(Section 5.09)

Transfer of Investments

Whenever money in any fund or account established under the Resolution or under a Series Resolution or a Bond Series Certificate is to be paid in accordance with the Resolution to another such fund or account, such payment may be made, in whole or in part, by transferring to such other fund or account investments held as part of the fund or account from which such payment is to be made, whose value, together with the money, if any, to be transferred, is at least equal to the amount of the payment then to be made; provided, however, that no such transfer of investments would result in a violation of any investment standard or guideline applicable to such fund.

(Section 5.10)

Security for Deposits and Investment of Funds

Security for Deposits

All money held under the Resolution by the Trustee shall be continuously and fully secured, for the benefit of the Authority and the Holders of a Series of Bonds, by direct obligations of the United States of America or obligations the principal of and interest on which are guaranteed by the United States of America of a market value equal at all times to the amount of the deposit so held by the Trustee; provided, however, (a) that if the securing of such 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 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

Money 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 by the Resolution, 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, further, that (x) any Permitted Collateral required to secure any Permitted Investment shall have a market value, determined by the Trustee or its agent periodically, but no less frequently than weekly, at least equal to the amount deposited or invested including interest accrued thereon, (y) the Permitted Collateral shall be deposited with and held by the Trustee or an agent of the Trustee approved by an Authorized Officer of the Authority, and (z) the Permitted Collateral shall be free and clear of claims of any other person.

Permitted Investments purchased as an investment of money in any fund or account held by the Trustee under the provisions of the Resolution shall be deemed at all times to be a part of such fund or account and the income or interest earned, profits realized or losses suffered by a fund or account due to the investment thereof shall be retained in, credited or charged, as the case may be, to such fund or account.

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 the market value thereof, plus accrued interest.

Notwithstanding anything to the contrary in the Resolution, the Authority, in its discretion, may direct the Trustee to, and the Trustee shall, sell, present for redemption or exchange any investment held by the Trustee pursuant to the Resolution and the proceeds thereof may be reinvested as provided in the Resolution. Except as otherwise provided in the Resolution, the Trustee shall sell at the best price obtainable, or present for redemption or exchange, any investment held by it pursuant to the Resolution whenever it shall be necessary in order to provide 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 of the Resolution as of the end of the preceding month and as to whether such investments comply with the provisions of the Resolution. 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)

Particular Covenants

Payment of Principal and Interest

The Authority shall pay or cause to be paid the principal, Sinking Fund Installments, if any, or Redemption Price of and interest on every Bond of each Series on the date and at the places and in the manner provided in such Bonds according to the true intent and meaning thereof.

(Section 7.01)

Further Assurance

The Authority, at any and all times, shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the rights, pledges and assignments by the Resolution and by the Applicable Series Resolution or Bond Series Certificate created or made or intended to be created or made, or which the Authority may thereafter become bound to pledge or assign.

(Section 7.04)

Accounts and Audits

The Authority shall keep proper books of records and accounts (separate from all other records and accounts), which may be kept on behalf of the Authority by the Trustee, in which complete and correct entries shall be made of its transactions relating to a Series of Bonds, including but not limited to the objects and purposes for which proceeds of such Bonds were expended and the respective amounts expended for such objects and purposes. Such books and accounts, at reasonable hours and subject to the reasonable rules and regulations of the Authority, shall be subject to the inspection of the Institution, any Provider, the Trustee or of any Holder of a Bond of a Series or his representative duly authorized in writing. The Trustee shall annually prepare a report which shall be furnished to the Authority, to each Provider and to the Institution. Such report shall include at least: a statement of all funds (including investments thereof) held by such Trustee and the Authority pursuant to the provisions of the Resolution and the Applicable Series Resolution and Bond Series Certificate; a statement of the Revenues collected in connection with the Resolution and with each Series Resolution; and complete and correct entries of the Authority's transactions relating to each Series of Bonds. A copy of such report shall, upon receipt of a written request therefor, and payment of any reasonable fee or charge made in connection therewith, be furnished to the registered owner of a Bond of a Series or any beneficial owner of a Book Entry Bond requesting the same.

(Section 7.05)

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 a Series on the proceeds from the sale of such Bonds, the Applicable Revenues, the Applicable Gross Receipts of the Institution, the rights of the Authority to receive payments to be made under a Loan Agreement that are to be deposited with the Trustee or the funds and accounts established by the Resolution and by any Series Resolution and Bond Series Certificate which are pledged by the Resolution other than, with respect to the Gross Receipts, the Prior Pledges and any existing or future parity lien on the Gross Receipts to secure Parity Indebtedness; provided, however, that each Series of Bonds may be equally and ratably secured by the Gross Receipts and the Mortgaged Property, to the extent required by and consented to by the Applicable Providers; and; provided, further 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 by the Resolution and by any Series Resolution and (ii) incurring obligations with respect to a Credit Facility or a 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 any Applicable Series Resolution.

(Section 7.06)

Enforcement of Duties and Obligations of the Institution

The Authority shall take all legally available action to cause the Institution to perform fully all duties and acts and comply fully with the covenants of the Institution required by a Loan Agreement in the manner and at the times provided in such Loan Agreement; provided, however, that the Authority may (i) delay or defer enforcement of one or more provisions of such Loan Agreement (other than provisions requiring the payment of money or the delivery of securities to the Trustee for deposit to any fund or account established under the Resolution) if the Authority determines such delay or deferment will not materially adversely affect the interests of the Holders of the Bonds of such Series and (ii) at any time prior to the occurrence of an event of default under the Resolution, annul any declaration that the indebtedness under such Loan Agreement is immediately due and payable and, if prior to the entry of a final judgment or decree in any action or proceeding instituted on account of an event of default under such Loan Agreement, discontinue such action or proceeding if the Institution shall have cured each event of default under such Loan Agreement.

(Section 7.07)

Deposit of Certain Money in the Construction Fund

In addition to the proceeds of Bonds of a Series to be deposited in the Construction Fund, any money paid to the Authority for the acquisition, construction, reconstruction, renovation or equipping of a Project, including, if not inconsistent with the Applicable Mortgage and Applicable Intercreditor Agreement, the proceeds of any insurance or condemnation award to be so applied, shall be deposited in the Construction Fund.

(Section 7.08)

Offices for Payment and Registration of Bonds

The Authority shall at all times maintain an office or agency in the State where Bonds of a Series may be presented for payment. The Authority may, pursuant to a Supplemental Resolution or a Series Resolution or pursuant to a resolution adopted in accordance with the Resolution, designate an additional Paying Agent or Paying Agents where Bonds of the Series authorized thereby or referred to therein may be presented for payment. The Authority shall at all times maintain an office or agency in the State where Bonds of a Series may be presented for registration, transfer or exchange and the Trustee is thereby appointed as its agent to maintain such office or agency for the registration, transfer or exchange of such Bonds.

(Section 7.09)

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 the interest of the Holders of Outstanding Bonds of the Applicable Series to which such Loan Agreement relates in any material respect unless consented to in writing by the Holders 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 Holders of which is a requirement for any such amendment, change, modification, alteration or termination, or decrease the amount of any payment required to be made by the Institution under such Loan Agreement that is to be deposited with the Trustee or extend the time of payment thereof. Any consent given pursuant to this paragraph by the Holders of Bonds shall, except as otherwise provided in the Resolution, be given in the same manner required by the Resolution.

The Loan Agreement may be amended, changed, modified or altered (i) to make changes necessary or appropriate in connection with the acquisition, construction, reconstruction, rehabilitation and improvement, or otherwise providing, furnishing and equipping of any facilities constituting a part of any Project or to otherwise amend the Project or (ii) with the consent of the Trustee, 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 in the Resolution or in the Applicable Loan Agreement or (iii) with the consent of the Applicable Provider of a Credit Facility, to cure any ambiguity, or to correct or supplement any provision contained in the Applicable Loan Agreement which may be defective. Except as otherwise provided in the Resolution, a Loan Agreement may be amended, changed, modified or altered without the consent of the Holders of Outstanding Bonds or the Trustee. Prior to execution by the Authority of any amendment, a copy thereof certified by an Authorized Officer of the Authority shall be filed with the Trustee.

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 Resolution in the manner provided in the Resolution, except that no proof of ownership shall be required, and with the same effect as a consent given by the Holder of such Bonds; provided, however, that, if such consent is given by a purchaser who is purchasing as an underwriter or 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 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 this Section, a Series shall be deemed to be adversely affected by an amendment, change, modification, alteration or termination of the Applicable Loan Agreement or the waiver of any provision thereof if the same adversely affects or diminishes the rights of the Holders 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 Holders of Bonds of such Series.

For the purposes of this Section, 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 Holders of Bonds of a Series then Outstanding in any material respect.

(Section 7.11)

Notices as Event of Default of Loan Agreement

The Authority shall notify the Trustee in writing that an “Event of Default” under a Loan Agreement, as such term is defined in such Loan Agreement, has occurred and is continuing, which notice shall be given as soon as practicable after the Authority has obtained actual knowledge thereof.

(Section 7.12)

Series Resolutions and Supplemental Resolution

Modification and Amendment Without Consent

Notwithstanding any other provisions of the Resolution, the Authority may adopt at any time or from time to time Series Resolutions or Supplemental Resolutions for any one or more of the following purposes, and any such Series Resolution or Supplemental Resolution shall become effective in accordance with its terms upon the filing with the Trustee and the Applicable Provider, if any, of a copy thereof certified by an Authorized Officer of the Authority:

(a) To provide for the issuance of a Series of Bonds pursuant to the provisions of the Resolution and to prescribe the terms and conditions pursuant to which such Bonds may be issued, paid or redeemed;

(b) To add additional covenants and agreements of the Authority for the purpose of further securing the payment of the Bonds 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;

(c) 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;

(d) To surrender any right, power or privilege reserved to or conferred upon the Authority by the terms of the Resolution, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Resolution;

(e) To confirm, as further assurance, any pledge under the Resolution and under a Series Resolution, and the subjection to any lien, claim or pledge of the Revenues, or any pledge of any other money, securities or funds created or to be created by the provisions of the Resolution and by the provisions of a Series Resolution, of the Revenues;

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

(g) To modify or amend a Project; or

(h) With the consent of the Trustee, to cure any ambiguity or defect or inconsistent provision in the Resolution or to insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable, provided that any such modifications are not contrary to or inconsistent with the Resolution as theretofore in effect, or to modify any of the provisions of the Resolution or of any previously adopted Series Resolution or Supplemental Resolution in any other respect, provided that such modification shall not adversely affect the interests of the Bondholders of a Series in any material respect.

(Section 9.01)

Supplemental Resolutions Effective With Consent of Bondholders

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 Bondholders 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 and the Applicable Provider, if any, 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 9.02)

General Provisions Relating to Series Resolutions and Supplemental Resolutions

The Resolution or a Series Resolution shall not be modified or amended in any respect except in accordance with and subject to the provisions of the Resolution. Nothing contained in the Resolution shall affect or limit the rights or obligations of the Authority to adopt, make, do, execute or deliver any resolution, act or other

instrument pursuant to the provisions of the Resolution or the right or obligation of the Authority to execute and deliver to the Trustee or any Paying Agent any instrument elsewhere in the Resolution provided or permitted to be delivered to the Trustee or any Paying Agent.

A copy of every Series Resolution and Supplemental Resolution adopted by the Authority, when filed with the Trustee, shall be accompanied by an opinion of Bond Counsel stating that such Series Resolution or Supplemental Resolution has been duly and lawfully adopted in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution and is valid and binding upon the Authority and enforceable in accordance with its terms. The Trustee shall transmit a copy of such Supplemental Resolution to the Institution and to each Applicable Provider upon its becoming effective.

The Trustee is authorized to accept delivery of a certified copy of any Series Resolution or Supplemental Resolution permitted or authorized pursuant to the provisions of the Resolution and to make all further agreements and stipulations which may be contained therein, and, in taking such action, the Trustee shall be fully protected in relying on the opinion of Bond Counsel that such Series Resolution or Supplemental Resolution is authorized or permitted by the provisions of the Resolution.

No Series Resolution or Supplemental Resolution changing, amending or modifying any of the rights or obligations of the Trustee, a Paying Agent or a Provider shall become effective without the written consent of the Trustee, the Paying Agent or Provider affected thereby.

(Section 9.03)

Amendments of Resolution

Powers of Amendment

Any modification or amendment of the Resolution and of the rights and obligations of the Authority and of the Holders of the Bonds under the Resolution or of any Series Resolution, in any particular, may be made by a Supplemental Resolution with the written consent, given as hereinafter provided in the Resolution, (i) of the Holders of at least a majority in principal amount of the Bonds Outstanding of a Series at the time such consent is given of each Series affected by such modification or amendment, or (ii) in case the modification or amendment changes the amount or date of any Sinking Fund Installment, of the Holders of at least a majority in principal amount of the Bonds Outstanding at the time such consent is given of the particular Series, maturity and interest rate entitled to such Sinking Fund Installment. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond of a Series or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders 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 Holders 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 Holders 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 Bondholders

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 in the Resolution. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto in form approved by the Trustee) together

with a request to the Bondholders 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 Bondholders (but failure to mail such copy and request to any particular Bondholder shall not affect the validity of the Supplemental Resolution when consented to as in the Resolution provided). Such Supplemental Resolution shall not be effective unless and until (i) there shall have been filed with the Trustee (a) the written consent of the Holders of the percentages of Outstanding Bonds of a Series specified in the Resolution and (b) an opinion of Bond Counsel stating that such Supplemental Resolution has been duly and lawfully adopted and filed by the Authority in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon the Authority and enforceable in accordance with its terms, and (ii) a notice shall have been mailed as hereinafter in the Resolution provided. 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 Holders of the Bonds of a Series described in the certificate or certificates of the Trustee.

Any consent given by a Bondholder shall be binding upon the Bondholder giving such consent and, anything in the Resolution to the contrary notwithstanding, upon any subsequent Bondholder and of any Bonds of a Series issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Bondholder giving such consent or a subsequent Holder thereof by filing with the Trustee, prior to the time when the written statement of the Trustee hereinafter in the Resolution provided for is filed, such revocation. 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 Holders 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 Holders of such required percentages of Bonds 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 Holders of the required percentages of Bonds of a Series and will be effective as provided in the Resolution, shall be given to such Bondholders by the Authority by mailing such notice to such Bondholders and, at the discretion of the Authority, by publishing the same at least once not more than ninety (90) days after the Holders of the required percentages of 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 in the Resolution provided). 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 Holders 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 Resolution, the purchasers of the Bonds of a Series, whether purchasing as underwriters or Remarketing Agent, for resale or otherwise, upon such purchase, may consent to a modification or amendment permitted by the Resolution in the manner provided therein, except that no proof of ownership shall be required, and with the same effect as a consent given by the Holder of such Bonds; provided, however, that, if such consent is given by a purchaser who is purchasing as an underwriter or Remarketing Agent 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)

Modifications by Unanimous Consent

The terms and provisions of the Resolution and the rights and obligations of the Authority and of the Holders of the Bonds of a Series may be modified or amended in any respect upon the adoption and filing with the Trustee by the Authority of a copy of a Supplemental Resolution certified by an Authorized Officer of the Authority and the consent of the Holders of all of the Bonds of a Series then Outstanding, such consent to be given as provided in the Resolution, except that no notice to the Bondholders either by mailing or publication shall be required.

(Section 10.03)

Consent of Provider

Whenever by the terms of the Resolution the consent of any of the Holders of the Bonds of a Series to a modification or amendment of the Resolution made by a Series Resolution or Supplemental Resolution is required, such modification or amendment shall not become effective until the written consent of each Applicable Provider has been obtained. No modification or amendment of the Resolution which adversely affects a Provider shall be made without the written consent thereto of the Applicable Provider affected thereby. Notice of the adoption of any such Series Resolution or Supplemental Resolution and of the effectiveness of the modification or amendment made thereby shall be given to each Applicable Provider by mail at the times and in the manner provided in the Resolution with respect to notices thereof required to be given to the Holders of the Bonds of a Series. Notice thereof shall also be given to each Rating Service as soon as practical after adoption of such Series Resolution or Supplemental Resolution and of the effectiveness thereof. In the event that the Provider has provided a letter of credit (the “primary letter of credit”) and, as security for the performance of its obligations under the primary letter of credit, a confirming standby letter of credit from another institution has been issued, consent shall only be required from the Provider of the primary letter of credit and shall not be required from the provider of the confirming standby letter of credit.

(Section 10.04)

Defaults and Remedies

Events of Default

An event of default shall exist under the Resolution and under an Applicable Series Resolution (an “event of default”) if:

(a) With respect to the Applicable Series of Bonds, payment of the principal, Sinking Fund Installments, if any, 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 the Applicable 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 the Applicable Series of Bonds, the Authority shall default in the due and punctual performance of any covenants contained in the Applicable Series Resolution authorizing the issuance thereof to the effect that the Authority shall comply with the provisions of the Code applicable to such Bonds necessary to maintain the exclusion of interest therein from gross income under Section 103 of the Code and shall not take any action which would adversely affect the exclusion of interest on such Bonds from gross income under Section 103 of the Code and, as a result thereof, the interest on the Bonds of such Series shall no longer be excludable from gross income under Section 103 of the Code; or

(d) With respect to the Applicable Series of Bonds, the Authority shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Resolution or in such Bonds or in the Applicable Series Resolution on the part of the Authority to be performed and such default shall continue for thirty (30) days after written notice specifying such default and requiring same to be remedied shall have been given to the Authority by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of such Series, or if such default is not capable of being cured within thirty (30) days, if the Authority fails to commence within said thirty (30) days and diligently prosecute the cure thereof; or

(e) With respect to the Applicable Series of Bonds, the Authority shall have notified the Trustee that an “Event of Default” as defined in the Applicable Loan Agreement shall have occurred and be continuing and all sums payable by the Institution under the Applicable 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 Resolution, other than an event of default specified in paragraph (c) under the caption “Events of Default”, then and in every such case the Trustee may, and, upon the written request of the Holders 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 a Series Resolution or in the Bonds of a 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 default, or before the completion of the enforcement of any other remedy under the Resolution, the Trustee shall, with the written consent of the Holders 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 under the Resolution) shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee; and (iv) every other default known to the Trustee in the observance or performance of any covenant, condition or agreement contained in the Resolution or in the Applicable Series Resolution or in such Bonds (other than a default in the payment of the principal of such Bonds then due only because of a declaration under the Resolution) shall have been remedied to the reasonable satisfaction of the Trustee. No such annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

(Section 11.03)

Enforcement of Remedies

Upon the happening and continuance of any event of default specified in the Resolution, then and in every such case, the Trustee may proceed, and, upon the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of the Series affected thereby, shall proceed (subject to the provisions of the Resolution) to protect and enforce its rights and the rights of the Bondholders under the Resolution or under the Applicable Series Resolution or under the laws of the State by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant contained under the Resolution or under the Applicable Series Resolution or in aid or execution of any power in the Resolution or therein granted, or for an accounting against the Authority as if the Authority were the trustee of an express trust, or for the

enforcement of any proper legal or equitable remedy as the Trustee shall deem most effectual to protect and enforce such rights, including the foreclosure of any defaulted 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 and under a Series Resolution and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Holders of such Bonds, and to recover and enforce judgment or decree against the Authority but solely as provided in the Resolution, in a 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 money adjudged or decreed to be payable.

(Section 11.04)

Limitation of Rights of Individual Bondholders

No Holder of any of the Bonds of a Series shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Resolution, or for any other remedy under the Resolution unless such Holder previously shall have given to the Trustee written notice of the event of default on account of which such suit, action or proceeding is to be instituted, and unless also the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of 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 in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the Resolution or for any other remedy under the Resolution and in equity or at law. It is understood and intended that no one or more Holders of the Bonds of a Series secured by the Resolution and by a Series Resolution shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Resolution or Series Resolution or to enforce any right under the Resolution or a Series Resolution except in the manner within the Resolution provided and the Series Resolution, and that all proceedings at law or in equity shall be instituted and maintained for the benefit of all Holders of the Outstanding Bonds of such Series. Notwithstanding any other provision of the Resolution, the Holder of any Bond of a Series shall have the right which is absolute and unconditional to receive payment of the principal of (and premium, if any) and interest on such Bond on the stated maturity expressed in such Bond (or, in the case of redemption, on the redemption date) and to institute suit for the enforcement of any such payment, and such right shall not be impaired without the consent of such Holder.

(Section 11.08)

Defeasance

Defeasance

If the Authority shall pay or cause to be paid to the Holders of Bonds of a Series the principal, Sinking Fund Installments, if any, or Redemption Price of and interest thereon, at the times and in the manner stipulated therein, in the Resolution, and in the Applicable Series Resolution and Bond Series Certificate, then the pledge of the Revenues or other money 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 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 provisions of the applicable tax certificate or agreement at 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 Resolution. All Outstanding Bonds of any Series or any maturity within such Series or a portion of a maturity within a Series shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the Resolution 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 money in an amount which shall be sufficient, or Defeasance Securities the principal of and interest on which when due will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, (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 Holders 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 Holders of such Bonds that the deposit required by clause (ii) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the Resolution and stating such maturity or redemption date upon which money is to be available for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on said Bonds. 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 payment of which shall be made in accordance with the Resolution in the manner provided in the Resolution. Neither Defeasance Securities nor money 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 said Bonds; provided, however, that any money received from such principal or interest payments on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Defeasance Securities maturing at times and in amounts sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest to become due on said Bonds on and prior to such redemption date or maturity date, as the case may be; provided, further, that money and Defeasance Securities may be withdrawn and used by the Authority for any purpose upon (i) the simultaneous substitution therefor of either money in an amount which shall be sufficient, or Defeasance Securities the principal of and interest on which when due will provide money which without regard to reinvestment, together with the money, if any, held by or deposited with the Trustee at the same time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption price, if applicable, and interest due and to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (ii) receipt by the Trustee of a letter or other written report of a firm of independent certified public accountants verifying the accuracy of the arithmetical computations which establish the adequacy of such money and Defeasance Securities for such purpose. Any income or interest earned by, or increment to, the investment of any such money 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 provisions of the applicable tax certificate or agreement at 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 money 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 money, or Defeasance Securities and money, 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 money 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 provisions of the applicable tax certificate or agreement at 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 money 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 clauses (i) and (iii) of the second paragraph under this caption, there shall have been deposited with the Trustee money 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 Holders of such Bonds upon the exercise of any options provided to the Holders 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 Holder 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 money 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 provisions of the applicable tax certificate or agreement at 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 money so paid by the Trustee shall be released of any trust, pledge, lien, encumbrance or security interest created by the Resolution.

Anything within the Resolution to the contrary notwithstanding, any money 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 money was held by the Trustee or Paying Agent at such date, or for one (1) year after the date of deposit of such money 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 Holders of Bonds shall look only to the Authority for the payment of such Bonds; provided, however, that, before being required to make any such payment to the Authority, the Trustee or Paying Agent may, at the expense of the Authority, cause to be published in an Authorized Newspaper a notice that such money remains unclaimed and that, after a date named in such notice, which date shall be not less than thirty (30) nor more than sixty (60) days after the date of publication of such notice, the balance of such money then unclaimed shall be returned to the Authority.

(Section 12.01)

Provider Provisions

Consent Rights of the Credit Facility Provider

If no Credit Facility Provider Default is occurring, the Credit Facility Provider, and not the actual Holders of the Series 2012 Bonds, shall be deemed to be the Holder of the Series 2012 Bonds payable from such Credit Facility for the purpose of exercising any right or power, consenting to an amendment, modification or waiver, or requesting or directing the Trustee to take or not to take any action under the Resolution; provided, however, that the provisions of this paragraph shall not apply to any change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment.

(Bond Series Certificate Section 7.09)

**SUMMARY OF CERTAIN PROVISIONS
OF THE REIMBURSEMENT AGREEMENT**

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SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT

The following summarizes certain provisions of the Reimbursement Agreement (as defined below), to which document, in its entirety, reference is made for the complete provisions thereof. Capitalized terms used below which are not otherwise defined in this Appendix E shall have the meanings ascribed to such terms in the Reimbursement Agreement.

F.F.T. Senior Communities, Inc. (the “Borrower”) has entered into a Letter of Credit and Reimbursement Agreement, dated as of September 12, 2012 (the “Reimbursement Agreement”), with HSBC Bank USA, National Association (the “Bank”), pursuant to which the Bank has agreed to issue an irrevocable, direct-pay letter of credit (the “Letter of Credit”). Under the terms of the Reimbursement Agreement, the Borrower has agreed to reimburse the Bank for draws under the Letter of Credit.

The Reimbursement Agreement contains covenants of the Borrower regarding payments to the Bank; compliance with the terms of the Reimbursement Agreement, the Series 2012 Bonds and the Financing Documents; financial and business information about the Borrower; notice of certain events; maintenance of books and records; access to books and records; and amendments to the Reimbursement Agreement. The Bank may enforce such covenants in its discretion, without the consent of the holders of the Series 2012 Bonds.

The Bank may, by notice to the Trustee, declare that an “Event of Default” has occurred under the Reimbursement Agreement and deliver a notice to the Trustee directing the Trustee to give notice of mandatory tender for the purchase of the Series 2012 Bonds whereupon the Letter of Credit will be drawn upon and expire as provided therein. Furthermore, the Bank will have any rights and remedies available to it under the Reimbursement Agreement, the Letter of Credit, the Financing Documents and all other agreements or instruments relating to the issuance, sale of and security for the Series 2012 Bonds and such other rights as may be available to it pursuant to law or equity.

The following events constitute an “Event of Default” under the Reimbursement Agreement:

(a) The Borrower shall fail to pay when due any amount payable pursuant to Section 2.2 of the Reimbursement Agreement or, after giving effect to any applicable grace period, payable pursuant to Section 2.6 of the Reimbursement Agreement; or

(b) The Borrower shall fail to observe or perform any covenant contained in Sections 5.1(b), 5.1(c), 5.2(a), or 5.2(b) of the Reimbursement Agreement; or

(c) The Borrower shall fail to observe or perform any covenant or term contained in the Reimbursement Agreement and such default shall not be waived or cured within thirty (30) days after receipt of written notice of such default from the Bank; provided, however, such failure shall not constitute an Event of Default under the Reimbursement Agreement if such failure is subject to cure but cannot be reasonably remedied within said thirty (30) day period and the Borrower shall have commenced to cure such failure within said thirty (30) day period and shall have thereafter diligently proceeded with such cure and such failure is remedied within ninety (90) days of such notice; and provided further that any waiver may be granted or withheld by the Bank in its sole discretion; or

(d) The Borrower shall fail to pay any amounts owed under the Reimbursement Agreement, except for amounts specified in paragraph (a) above, and such default continues for a period of ten (10) Business Days after the Bank provides written notice to the Borrower; or

(e) Any representation, warranty or certification made by the Borrower in the Reimbursement Agreement or the Financing Documents shall prove to have been incorrect in any material respect when made; or

(f) The Borrower shall become liable at any time for remediation and/or environmental compliance expenses and/or fines, penalties or other charges in excess of \$250,000; or

(g) Any default by the Borrower shall exist and remain unwaived or uncured prior to the expiration of any applicable grace period with respect to the payment of any interest on or any principal of any other Indebtedness of the Borrower for borrowed money or the advance of credit; or any such other Indebtedness for borrowed money shall not have been paid when due by the Borrower, and, in each case, such default or such non-payment permits the holder or holders thereof to accelerate the maturity of such Indebtedness, or such Indebtedness shall have been declared to be due and payable prior to its stated maturity, or any event or circumstance shall occur (unless promptly waived) which permits the acceleration of the maturity of any such other Indebtedness by the holder or holders thereof; or

(h) The Borrower shall be dissolved; or the Borrower shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or for any substantial part of its property, or any of the foregoing shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall fail generally to pay its debts as they become due, or shall make a general assignment for the benefit of creditors, or shall take any action to authorize any of the foregoing; or

(i) An involuntary case or other proceeding shall be commenced against the Borrower seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or for any substantial part of its property and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of ninety (90) days; or

(j) Any writ, attachment, execution or similar process shall be issued or levied against the Borrower or any of its Property for an amount in excess of \$250,000, and any such writ, attachment, execution or similar process shall not be paid, released, vacated or fully bonded within sixty (60) days after its issue or levy; or

(k) Except as described in the Reimbursement Agreement, the Borrower or any of its Subsidiaries, if any, shall fail to meet its minimum funding requirements under ERISA with respect to any employee benefit plan in an amount in excess of \$250,000 (or other class of benefit which the PBGC has elected to insure) or any such plan shall be the subject of termination proceedings (whether voluntary or involuntary) and there shall result from such termination proceedings a liability of the Borrower to the PBGC in an amount in excess of \$250,000; or

(l) If the Reimbursement Agreement or any of the other Financing Documents or any material provision therein shall cease to be legal, valid or enforceable in any material respect; or

(m) There shall be entered against the Borrower any final uninsured judgment which, singly or with any other final uninsured judgment or judgments against the Borrower then remaining unpaid, exceeds \$250,000 unless the Borrower contests in good faith and by proper proceedings such judgment and sets aside and maintains reserves adequate to cover any such judgment or establishes bond before execution on any asset of the Borrower; or

(n) Any event shall occur which shall have a Material Adverse Effect with respect to the Borrower; or

(o) Any “Event of Default” (as defined in the Resolutions or the Loan Agreement) shall have occurred or any failure or default by the Borrower shall have occurred under any of the other Financing Documents and shall have continued beyond the expiration of any applicable notice and/or grace period; or

(p) There shall exist any event of default beyond any applicable notice or cure period under any other document or instrument executed and delivered by the Borrower to the Bank evidencing or securing the Reimbursement Agreement or otherwise in connection with the Letter of Credit including the other Financing Documents; or

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

(r) The Borrower shall fail to pay within forty-five (45) days of notice and demand by the Bank, any installment of any assessment against the Mortgaged Property for local improvements heretofore or hereafter laid, which assessment is or may become payable in annual or periodic installments and is or may become a lien on the Mortgaged Property; or

(s) A Federal tax lien for an amount in excess of \$250,000 is filed against the Borrower or the Mortgaged Property and the same is not discharged of record within thirty (30) days after the same is filed unless such Federal tax lien is being diligently contested by the Borrower in good faith, and the Borrower shall have set aside cash reserves in a manner satisfactory to the Bank which in the opinion of the Bank will be sufficient to cover the Federal tax lien and all interest and penalties thereon; provided (i) the Bank is satisfied that such Federal tax lien does not have a Material Adverse Effect, and (ii) that if, at any time, payment of such Federal tax and related charges, interest or penalties, if any, shall become necessary to prevent the enforcement of a lien because of non-payment of any such sums, then the Borrower shall pay or cause to be paid the sums in sufficient time to prevent the delivery of such tax deed; or

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

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

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

(w) Without the consent of the Bank, the Borrower enters into any leases in excess of \$250,000 in the aggregate, in any fiscal year, that affect the Mortgaged Property, and which are not expressly subordinate to the Mortgage, or any leases in excess of \$250,000 in the aggregate, in any fiscal year, that affect the Mortgaged Property, and which are not expressly subordinate to the Mortgage are canceled or modified or any portion of the rents due thereunder are paid for a period of more than one (1) month in advance or any of the rents are further assigned; or

(x) The Mortgaged Property shall become subject to any (i) tax lien, other than a lien for local real estate taxes and assessments not due and payable, or (ii) lis pendens, notice of pendency, stop order, notice of intention to file mechanic's or materialman's lien, mechanic's or materialman's lien or other lien of any nature whatsoever in violation of the terms of the Reimbursement Agreement and the same shall not either be discharged of record or fully bonded or in the alternative insured over to the satisfaction of the Bank by the title company insuring the lien of the Mortgage within a period of thirty (30) days after the Borrower receives notice that the same has been filed or recorded, and irrespective of whether the same is superior or subordinate in lien or other priority to the lien of the Mortgage and irrespective of whether the same constitutes a perfected or inchoate lien or encumbrance on the Mortgaged Property or is only a matter of record or notice, unless, with respect to (i) only, such tax lien is being diligently contested by the Borrower in good faith, and the Borrower shall have set aside cash reserves in a manner satisfactory to the Bank which in the opinion of the Bank will be sufficient to cover the tax lien and all interest and penalties thereon; provided (a) the Bank is satisfied that such tax lien does not have a Material Adverse Effect or adversely effect the Mortgaged Property, the Mortgage or the lien thereof, and (b) that if, at any time, payment of such tax and related charges, interest or penalties, if any, shall become necessary to prevent the delivery of a tax deed conveying the Mortgaged Property or any portion thereof because of non-payment of any such sums, then the Borrower shall pay or cause to be paid the sums in sufficient time to prevent the delivery of such tax deed; or

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

**FORM OF APPROVING OPINION
OF BOND COUNSEL**

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FORM OF APPROVING OPINION OF BOND COUNSEL

To Be Rendered By Squire Sanders (US) LLP

_____, 2012

To: Dormitory Authority of the
State of New York
515 Broadway
Albany, New York 12207

We have served as bond counsel to our client the Dormitory Authority of the State of New York (the "Authority") and not as counsel to any other person in connection with the issuance by the Authority of its \$_____ F.F.T. Senior Communities, Inc. Revenue Bonds, Series 2012 (the "Series 2012 Bonds"), dated the date of this letter.

The Series 2012 Bonds are issued pursuant to the Dormitory Authority Act, being Title 4 of Article 8 of the Public Authorities Law of the State of New York, as amended to the date hereof (the "Act"), the F.F.T. Senior Communities, Inc. Revenue Bond Resolution, adopted on July 25, 2012 and the Series Resolution Authorizing Up To \$16,000,000 F.F.T. Senior Communities, Inc. Revenue Bonds, Series 2012, adopted on July 25, 2012 (collectively, the "Resolution"). Capitalized terms not otherwise defined in this letter are used as defined in the Resolution or the Loan Agreement (as defined herein).

In our capacity as bond counsel, we have examined the transcript of proceedings relating to the issuance of the Series 2012 Bonds, a copy of the signed and authenticated Series 2012 Bond of the first maturity and the Loan Agreement, dated as of July 25, 2012 (the "Loan Agreement"), between the Authority and F.F.T. Senior Communities, Inc. (the "Institution"), and such other documents, matters and law as we deem necessary to render the opinions set forth in this letter.

Based on that examination and subject to the limitations stated below, we are of the opinion that under existing law:

1. The Resolution has been duly and lawfully adopted by the Authority.
2. The Resolution and the Loan Agreement are valid and binding obligations of the Authority, enforceable in accordance with their respective terms.
3. The Series 2012 Bonds are legal, valid and binding special obligations of the Authority payable as provided in the Resolution, are enforceable in accordance with their terms and the terms of the Resolution and are entitled to the equal benefits of the Resolution and the Act. The payment of debt service on the Series 2012 Bonds is not secured by an obligation or pledge of any money raised by taxation, and the Series 2012 Bonds do not represent or constitute a general obligation or a pledge of the faith and credit of the Authority, the State of New York or any of its political subdivisions.
4. 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"), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals

and corporations; however, portions of the interest on the Series 2012 Bonds earned by certain corporations may be subject to a corporate alternative minimum tax. Interest on the Series 2012 Bonds is exempt from personal income taxes imposed by the State of New York and political subdivisions thereof, including The City of New York and the City of Yonkers. We express no opinion as to any other tax consequences regarding the Series 2012 Bonds.

The opinions stated above are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. In rendering all such opinions, we assume, without independent verification, and rely upon (i) the accuracy of the factual matters represented, warranted or certified in the proceedings and documents we have examined, (ii) the due and legal authorization, execution and delivery of those documents by, and the valid, binding and enforceable nature of those documents upon, any parties other than the Authority, and (iii) the correctness of the legal conclusions contained in the legal opinion letter of counsel to the Institution delivered in connection with this matter.

In rendering those opinions with respect to the treatment of the interest on the Series 2012 Bonds under the federal tax laws, we further assume and rely upon compliance with the covenants in the proceedings and documents we have examined, including those of the Authority and the Institution. Failure to comply with certain of those covenants subsequent to issuance of the Series 2012 Bonds may cause interest on the Series 2012 Bonds to be included in gross income for federal income tax purposes retroactively to their date of issuance.

In rendering those opinions with respect to the treatment of the interest on the Series 2012 Bonds under the federal tax laws, we also further assume the correctness of, and rely on the opinions of Harris Beach PLLC, counsel to the Institution, regarding, among other matters, the current qualification of the Institution as an organization described in Section 501(c)(3) of the Code, which opinions are subject to a number of qualifications and limitations. We also assume the correctness of, and rely upon the accuracy of, representations of the Institution concerning the use of the facilities financed with the Series 2012 Bonds in activities that are considered “unrelated trade or business” activities of the Institution, as defined in Section 513(a) of the Code. We have not given any opinion or assurance concerning Section 513(a) of the Code or the effect of any future activities of the Authority or the Institution. Failure of the Institution to maintain its qualification as an organization described in Section 501(c)(3) of the Code, or to use the facilities financed by the Series 2012 Bonds in a manner that is substantially related to the Institution’s charitable purpose under Section 513(a) of the Code, may cause interest on the Series 2012 Bonds to be included in gross income retroactively to the date of the issuance of the Series 2012 Bonds.

We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the Series 2012 Bonds, the Resolution or the Loan Agreement.

The opinions contained in paragraphs 1, 2 and 3 above are qualified to the extent that the enforceability of the Resolution, the Series 2012 Bonds and the Loan Agreement may be limited by bankruptcy, insolvency, moratorium, reorganization or other laws affecting creditors’ rights generally or as to the availability of any particular remedy.

In connection with the delivery of this opinion, we are not passing upon the authorization, execution and delivery of the Loan Agreement by the Institution. We have assumed the due authorization, execution and delivery of the Loan Agreement by the Institution.

We express no opinion in this letter as to the accuracy, completeness, fairness or sufficiency of the Official Statement relating to the Series 2012 Bonds, or any appendices thereto.

The opinions rendered in this letter are stated only as of this date, and no other opinion shall be implied or inferred as a result of anything contained in or omitted from this letter. Our engagement as bond counsel with respect to the Series 2012 Bonds has concluded on this date.

Respectfully submitted,

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