Ratings: Moody's: Aa1
Fitch: AA-
(See "Ratings" herein)

NEW ISSUE

DAC Bond

$6,175,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
RYAN/CHELSEA-CLINTON COMMUNITY HEALTH CENTER, INC. REVENUE BONDS

$5,890,000 Series 2012A (Tax-Exempt)	**$285,000 Series 2012B (Federally Taxable)**
Dated: Date of Delivery	**Due: July 1, as shown on the inside cover**

Ryan/Chelsea-Clinton Community Health Center, Inc. Revenue Bonds, Series 2012A (Tax-Exempt) (the "Series 2012A Bonds") and Series 2012B (Federally Taxable) (the "Series 2012B Bonds" and collectively, with the Series 2012A Bonds, the "Series 2012 Bonds") will be special obligations of the Dormitory Authority of the State of New York (the "Authority") authorized under the Authority's Ryan/Chelsea-Clinton Community Health Center, Inc. Revenue Bond Resolution, adopted January 25, 2012 (the "Resolution"), the Series Resolution Authorizing Up To $7,000,000 Ryan/Chelsea-Clinton Community Health Center, Inc. Revenue Bonds, Series 2012A (Tax-Exempt), adopted by the Authority on January 25, 2012 (the "Series 2012A Resolution"), and the Series Resolution Authorizing Up To $7,000,000 Ryan/Chelsea-Clinton Community Health Center, Inc. Revenue Bonds, Series 2012B (Federally Taxable), adopted by the Authority on January 25, 2012 (the "Series 2012B Resolution," and, together with the Resolution and the Series 2012A Resolution, the "Resolutions.")

Pursuant to the Resolutions, the Series 2012 Bonds will be secured by a pledge by the Authority of Revenues which shall consist of payments received or receivable by the Authority pursuant to a Loan Agreement (the "Loan Agreement"), dated as of January 25, 2012, between Ryan/Chelsea-Clinton Community Health Center, Inc. (the "Institution") and the Authority and from a mortgage insurance policy which was issued simultaneously with the delivery of the Refunded Bonds (as defined herein) by the State of New York Mortgage Agency ("SONYMA"), which policy shall be amended as of the date of the issuance of the Series 2012 Bonds (the "SONYMA Mortgage Insurance Policy"). The Series 2012 Bonds will be further secured by all funds and accounts established under the Resolution (excluding the Arbitrage Rebate Fund). The Series 2012A Bonds will be additionally secured by the Series 2012A Debt Service Reserve Account and the Series 2012B Bonds will be additionally secured by the Series 2012B Debt Service Reserve Account, each of which will be funded in an amount equal to the respective Debt Service Reserve Fund Requirement.

The Loan Agreement is a general obligation of the Institution and requires the Institution to pay, in addition to the fees and expenses of the Authority and the Trustee (as defined herein), amounts sufficient to pay the principal and Redemption Price of and interest on the Series 2012 Bonds, as such payments become due. The obligations of the Institution to make such payments will be secured by a pledge of Gross Receipts (as defined herein) of the Institution and a mortgage on the mortgaged property.

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

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

The Series 2012 Bonds will be issued initially under a Book-Entry Only System, registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"). Individual purchases of beneficial interests in the Series 2012 Bonds will be made in book-entry form (without certificates). So long as DTC or its nominee is the registered owner of the Series 2012 Bonds, payments of the principal and Redemption Price of and interest on such Series 2012 Bonds will be made directly to DTC or its nominee. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of DTC participants. See "PART 4 - THE SERIES 2012 BONDS - Book-Entry Only System" herein.

Redemption: *The Series 2012 Bonds are subject to redemption prior to maturity as more fully described herein.*

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

The Series 2012 Bonds are offered when, as and if issued and received by the Underwriter. The offer of the Series 2012 Bonds may be subject to prior sale or withdrawn or modified at any time without notice. The offer is subject to the approval of legality by Harris Beach PLLC, New York, New York, Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for the Institution by its counsel, Nixon Peabody LLP, New York, New York and for the Underwriter by its counsel, Cozen O'Connor, New York, New York. The Authority expects to deliver the Series 2012 Bonds in definitive form in New York, New York, on or about February 22, 2012.

M. R. Beal & Company

February 8, 2012

$6,175,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
RYAN/CHELSEA-CLINTON COMMUNITY HEALTH CENTER, INC.
REVENUE BONDS,

SERIES 2012A (TAX-EXEMPT)

$5,890,000 Serial Bonds

Due July 1	Amount	Interest Rate	Yield	CUSIP(1)	Due July 1	Amount	Interest Rate	Yield	CUSIP(1)
2014	$510,000	2.00%	1.05%	649906RL0	2018	$765,000	3.00%	1.95%	649906RQ9
2015	705,000	2.00	1.26	649906RM8	2019	785,000	3.00	2.25	649906RR7
2016	720,000	4.00	1.40	649906RN6	2020	810,000	5.00	2.46	649906RS5
2017	745,000	2.00	1.56	649906RP1	2021	850,000	3.00	2.66	649906RT3

SERIES 2012B (FEDERALLY TAXABLE)

$285,000 2.25% Term Bonds due July 1, 2014, Price: 100%, Yield: 2.25%
CUSIP:(1) 649906RU0

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

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

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be a sale of the Series 2012 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

Certain information in this Official Statement has been supplied or authorized by the Institution, DTC, SONYMA and other sources that the Authority believes are reliable. The Authority does not guarantee the accuracy or completeness of such information, and such information is not to be construed as a representation of the Authority.

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

Other than with respect to information concerning SONYMA contained under the captions "State of New York Mortgage Agency" and "Source of Payment and Security for the Series 2012 Bonds - SONYMA Mortgage Insurance Policy" herein, none of the information in this Official Statement has been supplied or verified by SONYMA, and SONYMA makes no representation or warranty, express or implied, as to the (i) the accuracy or completeness of such information; (ii) the validity of the Series 2012 Bonds; or (iii) the tax status of the interest on the Series 2012 Bonds.

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

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

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

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

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

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DORMITORY AUTHORITY – STATE OF NEW YORK 515 BROADWAY, ALBANY, NY 12207
PAUL T. WILLIAMS, JR. – PRESIDENT ALFONSO L. CARNEY, JR. – CHAIR

OFFICIAL STATEMENT RELATING TO
$6,175,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
RYAN/CHELSEA-CLINTON COMMUNITY HEALTH CENTER, INC. REVENUE BONDS, SERIES 2012
Consisting of

$5,890,000	**$285,000**
Series 2012A (Tax-Exempt)	**Series 2012B (Federally Taxable)**

PART 1- INTRODUCTION

Purpose of the Official Statement

The purpose of this Official Statement, including the cover page and appendices, is to provide information about the Authority and Ryan/Chelsea-Clinton Community Health Center, Inc. (the "Institution") in connection with the offering by the Authority of its (i) $5,890,000 principal amount of its Ryan/Chelsea-Clinton Community Health Center, Inc. Revenue Bonds, Series 2012A (Tax-Exempt) (the "Series 2012A Bonds") and (ii) $285,000 principal amount of Ryan/Chelsea-Clinton Community Health Center, Inc. Revenue Bonds, Series 2012B (Federally Taxable) (the "Series 2012B Bonds" and together with the Series 2012A Bonds, the "Series 2012 Bonds").

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

Purpose of the Issue

Proceeds of the Series 2012 Bonds are to be used to make a loan to the Institution, which together with other available amounts, will be used to (i) refund all of the outstanding Dormitory Authority of the State of New York Ryan/Clinton Community Health Center, Inc. Revenue Bonds, Series 1999 (the "Refunded Bonds"), (ii) fund the Series 2012A Debt Service Reserve Account and the 2012B Debt Service Reserve Account in an amount equal to the respective Debt Service Reserve Fund Requirement, and (iii) pay the Costs of Issuance of the Series 2012 Bonds. See "PART 5 - ESTIMATED SOURCES AND USES OF FUNDS" and "PART 7 - THE REFUNDING PLAN."

The Refunded Bonds were issued by the Authority to fund a project consisting of the site acquisition and the construction of a diagnostic and treatment center located in New York, New York and licensed under Article 28 of the Public Health Law in the State of New York (the "Facilities").

Authorization of Issuance

The Series 2012 Bonds will be issued pursuant to the Act and the Resolutions which authorize the issuance of the Series 2012A Bonds and the Series 2012 B Bonds in a total aggregate amount not to exceed $7,000,000. The Resolutions authorize the issuance of additional bonds for the benefit of the Institution, provided that, upon the delivery thereof, certain conditions are met, including the issuance by SONYMA of a mortgage insurance policy. See "PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2012 BONDS."

The Series 2012 Bonds

The Series 2012 Bonds will be dated their date of delivery, and will bear interest from such date (payable July 1, 2012 and each January 1 and July 1 thereafter) at the rates and will mature as set forth on the inside cover page of this Official Statement. See “PART 4 - THE SERIES 2012 BONDS - Description of the Series 2012 Bonds.”

Payment of and Security for the Series 2012 Bonds

The Series 2012 Bonds will be special obligations of the Authority payable solely from the Revenues. The Series 2012 Bonds will be secured by a pledge by the Authority of the Revenues, which consist of payments received or receivable by the Authority pursuant to the Loan Agreement and the SONYMA Mortgage Insurance Policy. The Loan Agreement is a general obligation of the Institution. To secure the Institution’s obligation under the Loan Agreement, the Institution has pledged to the Authority all its rights, title and interests in the Gross Receipts (including the proceeds of the Gross Receipts). In connection with the issuance of the Refunded Bonds, the Institution executed and delivered a mortgage dated January 13, 2000 (the “Original Mortgage”) on the Mortgaged Property to secure the Institution’s obligations under the Loan Agreement between the Authority and the Institution dated as of October 27, 1999 in connection with the Refunded Bonds (the “1999 Loan Agreement”) and its obligations under a mortgage note in the principal amount of $11,940,000 (the “1999 Note”). Simultaneous with the delivery of the Series 2012 Bonds, the Refunded Bonds will be defeased. The 1999 Note will be amended by an amendment dated such date to reflect certain terms of the Series 2012 Bonds (as so amended, the “Note”). The Original Mortgage was insured by SONYMA under the SONYMA Mortgage Insurance Policy and the Original Mortgage will be amended as hereinafter described, to secure the Institution’s obligation under the Loan Agreement and the Note. The Series 2012 Bonds are additionally secured by all funds and accounts established under the Resolution (excluding the Arbitrage Rebate Fund). The Resolutions also establish a Series 2012A Debt Service Reserve Account and a Series 2012B Debt Service Reserve Account, each of which shall be funded upon the delivery of the Series 2012 Bonds at the respective Debt Service Reserve Fund Requirement. With the prior approval of the Authority, SONYMA and the Department of Health, the Institution may incur indebtedness secured on a parity with respect to the security interests in the Gross Receipts and Mortgaged Property securing the Series 2012 Bonds. See “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2012 BONDS.”

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

The Mortgage

The Institution has previously executed and delivered the 1999 Mortgage on the Mortgaged Property to secure its obligations under the 1999 Loan Agreement. Upon the refunding of the Refunded Bonds, the Mortgage will be amended by a mortgage modification agreement (the “Mortgage Modification Agreement”) executed by the Institution and the Authority (the Original Mortgage as so amended, the “Mortgage”). The Mortgage will secure the payments required to be made by the Institution pursuant to the Loan Agreement and the Note. Neither the Mortgage nor any security interests created thereunder have been assigned to the Trustee to secure the Series 2012 Bonds; however, the Authority may, but has no present intention to, and shall, upon the occurrence of certain events pursuant to the Resolutions, assign the Mortgage and such security interests to the Trustee. See “PART 2 - SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2012 BONDS - The Mortgage.”

The Authority

The Authority is a public benefit corporation of the State, created for the purpose of financing and constructing a variety of public-purpose facilities for certain educational, governmental and not-for-profit institutions. See “PART 8 - THE AUTHORITY.”

The Institution

Ryan/Chelsea-Clinton Community Health Center, Inc. (formerly Ryan/Clinton Community Health Center, Inc.) is a not-for-profit corporation exempt from federal income taxation as an organization as described in Section 501(c) (3) of the Internal Revenue Code of 1986, as amended (the "Code"). The Institution was established on September 3, 1996 to operate a diagnostic and treatment center. See "PART 6 - THE INSTITUTION."

The Refunding Plan

Substantially all of the proceeds of the Series 2012 Bonds, together with other available amounts of the Institution, will be used to defease and redeem the Refunded Bonds. See "PART 7 – THE REFUNDING PLAN."

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

Set forth below is a narrative description of certain statutory and contractual provisions relating to the source of payment of and security for the Series 2012 Bonds and certain related covenants. These provisions have been summarized and this description does not purport to be complete. Reference should be made to the Act, the SONYMA Act, the Resolutions, the Loan Agreement, the Mortgage and the SONYMA Mortgage Insurance Policy. Copies of the Resolutions, the Loan Agreement, the Mortgage and the SONYMA Mortgage Insurance Policy are on file with the Authority and the Trustee. See also "Appendix C - Summary of Certain Provisions of the Loan Agreement" and "Appendix D - Summary of Certain Provisions of the Resolution" for a more complete statement of the rights, duties and obligations of the parties thereto.

Payment of the Series 2012 Bonds

The Series 2012 Bonds will be special obligations of the Authority. The principal and Redemption Price of and interest on the Series 2012 Bonds are payable solely from the Revenues. The Revenues consist of the payments required to be made by the Institution under the Loan Agreement on account of the principal and Redemption Price of and interest on the Series 2012 Bonds and to maintain both the Series 2012A Debt Service Reserve Account and the Series 2012B Debt Service Reserve Account at the respective Debt Service Reserve Fund Requirement. The Revenues also include all payments received or receivable by the Authority pursuant to the SONYMA Mortgage Insurance Policy.

Payments under the Loan Agreement are to be made monthly by the tenth day of each month. Each payment is to be equal to a proportionate share of the interest coming due on the next succeeding interest payment date and of the principal coming due on the next succeeding July 1. The Loan Agreement also obligates the Institution to pay, at least 45 days prior to a redemption date of Series 2012 Bonds called for redemption, the amount, if any, required to pay the Redemption Price of such Bonds. See "PART 4 - THE SERIES 2012 BONDS - Redemption Provisions."

The Revenues and the Authority's right to receive the Revenues have been pledged to the Trustee for the benefit of the Bondholders. The Authority has directed, and the Institution has agreed, to make such payments directly to the Trustee. Such payments are to be applied by the Trustee to the payment of the principal and Redemption Price of and interest on the Series 2012 Bonds. The payments to be made by the Institution to restore the Series 2012A Debt Service Reserve Account or the Series 2012B Debt Service Reserve Account to their respective requirements are to be made directly to the Trustee for deposit therein.

Security for the Series 2012 Bonds

The Series 2012 Bonds will be secured by the pledge and assignment of the Revenues, the proceeds from the sale of Series 2012 Bonds (until disbursed as provided in the Resolutions), all funds and accounts authorized and established under the Resolutions (with the exception of the Arbitrage Rebate Fund), including the Series 2012A Debt Service Reserve Account, which will provide additional security for the Series 2012A Bonds, the Series 2012B

Debt Service Reserve Account, which will provide additional security for the Series 2012B Bonds, and the Authority's security interest in the Institution's Gross Receipts.

Gross Receipts

As security for its obligations under the Loan Agreement, the Institution has granted to the Authority a security interest in the Gross Receipts which include without limitation all revenues from the operation of the Institution, all other income available to the Institution from any other source, all present and future accounts contracts and agreements, gifts, grants, bequests and other moneys received by or on behalf of the Institution; provided, however, that certain gifts, grants and bequests to the extent specifically restricted by the donor thereof to a special object or purpose inconsistent with payments under the Loan Agreement shall not be included in Gross Receipts. The Authority has pledged and assigned to the Trustee for the benefit of the Bondholders its security interest in the Gross Receipts. The Institution may incur debt secured on a parity with or subordinate to the lien and pledge of the Gross Receipts with the prior consent of the Authority, SONYMA and the Department of Health.

Debt Service Reserve Fund

The Resolutions establish the Debt Service Reserve Fund and the Series 2012A Debt Service Reserve Account and the Series 2012B Debt Service Reserve Account within the Debt Service Reserve Fund.

Each such Debt Service Reserve Account shall be maintained at an amount equal to the lesser of (i) one-third of the greatest amount required in the then current or any future Bond Year to pay the sum of interest on the respective series of Bonds payable during such Bond Year (excluding the interest accrued on such series of Bonds prior to July 1 of the next preceding year), and the principal and Sinking Fund Installments of such respective series of Bonds payable on or prior to July 1 of such Bond Year, or (ii) an amount equal to ten percent (10%) of the net proceeds of the sale of the respective series of Bonds, or (iii) an amount equal to 125% of the average of the principal, whether at maturity or on mandatory redemption, and interest becoming due in any one calendar year on the respective series of Bonds; except as otherwise provided in a Series Resolution or a Bond Series Certificate. The Debt Service Reserve Fund Requirement for the Series 2012A Bonds will be funded upon issuance of the Series 2012A Bonds from the proceeds of the Series 2012A Bonds. The Debt Service Reserve Fund Requirement for the Series 2012B Bonds will be funded upon issuance of the Series 2012B Bonds from the proceeds of the Series 2012B Bonds.

Moneys in the applicable Debt Service Reserve Account are to be withdrawn and deposited in the applicable Debt Service Account of the Debt Service Fund whenever the amount in such Debt Service Accounts on the fourth business day prior to an interest payment date is less than the amount which is necessary to pay the principal of, redemption price of, and interest on the applicable series of Series 2012 Bonds payable on such interest payment date. The General Resolution requires that the Institution restore each of the Debt Service Reserve Accounts to their respective requirements by paying the amount of any deficiency to the Trustee within five days after receiving notice of a deficiency. Moneys in the Debt Service Reserve Accounts in excess of their respective requirements shall be withdrawn and applied in accordance with the Resolutions. See "Appendix D - Summary of Certain Provisions of the Resolution."

The Mortgage

The Institution has previously executed and delivered the 1999 Note and the 1999 Mortgage on the Mortgaged Property to secure its obligations under the loan of the proceeds from the Refunded Bonds. In connection with the refunding of the Refunded Bonds and the issuance of the Series 2012 Bonds, the Institution will amend the 1999 Mortgage by executing and delivering the Mortgage Modification Agreement to the Authority. Upon the execution of the Mortgage Modification Agreement, the Mortgage will secure the payments required to be made by the Institution pursuant to the Note and the Loan Agreement. Neither the Mortgage nor any security interests created thereunder, have been assigned to the Trustee to secure the Series 2012 Bonds; however, the Authority may, though has no present intention to, and shall, upon the occurrence of certain events pursuant to the

Resolution, assign the Mortgage and such security interests to the Trustee. In addition, upon a lump sum payment by SONYMA, the Authority or the Trustee shall assign the Mortgage to SONYMA or its designee and the proceeds of such lump sum payment shall be applied to the redemption of the Series 2012 Bonds. The Institution, with the prior approval of the Authority, SONYMA and the Department of Health, may incur debt secured on a parity with respect to the security interest in the Mortgaged Property securing the Series 2012 Bonds. See "PART 4 - THE SERIES 2012 BONDS - Redemption Provisions - *Special Mandatory Redemption*."

SONYMA Mortgage Insurance Policy

Simultaneously with the delivery of the Refunded Bonds, SONYMA issued a mortgage insurance policy, which policy will be amended as of the date of the issuance of the Series 2012 Bonds. The Institution's payment obligations under the Note and the Loan Agreement (the "Series 2012 Mortgage Loan") will be insured by the SONYMA Mortgage Insurance Policy, as amended, upon compliance with certain conditions.

Pursuant to the SONYMA Mortgage Insurance Policy with respect to the Series 2012 Mortgage Loan, following certain defaults (each, a "Covered Default") under the Mortgage securing the Institution's obligations under the Series 2012 Mortgage Loan, the Authority shall file a claim for loss with SONYMA. Covered Defaults include a failure by the Institution to make all or part of any required payment under the Note and the Loan Agreement, and the avoidance as a preferential transfer under any bankruptcy law of any payment paid under the Note and the Loan Agreement. Upon the Authority filing a claim for loss, SONYMA has the option to either (i) make periodic payments of its obligation under the SONYMA Mortgage Insurance Policy in amounts equal to the amounts due with respect to the Series 2012 Mortgage Loan, or (ii) make a lump sum payment under the SONYMA Mortgage Insurance Policy in an amount equal to the sum of the principal outstanding and interest accrued on the Series 2012 Mortgage Loan from the date of such claim for loss to the date thirty (30) days following the date of payment in respect of such claim for loss. Periodic payments are to be made monthly. In addition, if SONYMA has chosen initially to make periodic payments it may nevertheless exercise its option to make a lump sum payment of its then outstanding obligation under the SONYMA Mortgage Insurance Policy at any time while SONYMA is making periodic payments.

Upon a lump sum payment by SONYMA, the Authority shall assign the Mortgage to SONYMA or its designee. Pursuant to the Resolutions, a lump sum payment received from SONYMA is to be applied to the redemption of the Series 2012 Bonds. See "PART 4 - THE SERIES 2012 BONDS - Redemption Provisions - *Special Mandatory Redemption*."

For specific information on the coverage provided by the SONYMA Mortgage Insurance Policy, reference should be made to the SONYMA Mortgage Insurance Policy which is available at the principal office of the Authority. SONYMA makes no representation as to the contents of this Official Statement (other than this section and "PART 3 – STATE OF NEW YORK MORTGAGE AGENCY"), the suitability of the Series 2012 Bonds for any investor or compliance with any securities or tax laws and regulations which may relate to the issuance of the Series 2012 Bonds.

SONYMA's role is limited to providing the SONYMA Mortgage Insurance Policy.

The SONYMA Mortgage Insurance Policy may terminate pursuant to its terms upon the occurrence of certain events including the modification of the Mortgage without the prior written consent of SONYMA or the disposal of property or collateral securing the Series 2012 Mortgage Loan prior to the final settlement of a claim for loss.

Events of Default and Acceleration

The following are events of default under the Resolution: (i) a default in the payment of the principal or Redemption Price of or interest on Series 2012 Bonds; (ii) the Authority shall take any action, or fail to take any action, which would cause the Series 2012 Bonds to be "arbitrage bonds" within the meaning of the Code, or fail to comply with the provisions of the Code and as a result thereof, interest on the Series 2012 Bonds becomes includable in gross income for federal income tax purposes; or (iii) a default by the Authority in the due and punctual performance of any covenant, condition, agreement or provision contained in the Series 2012 Bonds or in the Resolution which continues for thirty (30) days after written notice thereof is given to the Authority by the Trustee (such notice to be given at the Trustee's discretion or at the written request of Owners of not less than 25% in principal amount of Outstanding Bonds).

The Resolution provides that, if an event of default (other than as described in clause (ii) or (iii) of the preceding paragraph) occurs and continues, the Trustee may, and upon the written request of the Owners of not less than 25% in principal amount of the Outstanding Bonds shall, by a notice in writing to the Authority, declare the principal of and interest on all Outstanding Bonds to be due and payable immediately. At the expiration of 30 days from the giving of such notice, such principal and interest shall become immediately due and payable. The Trustee may, with the written consent of the Owners of not less than 25% in principal amount of Series 2012 Bonds not yet due by their terms and then Outstanding, by written notice to the Authority, annul such declaration and its consequences under the terms and conditions specified in the Resolution with respect to such annulment.

The Resolution provides that the Trustee shall give notice in accordance with the Resolution of each event of default known to the Trustee to the Owners of the Series 2012 Bonds within ninety (90) days after knowledge of the occurrence, unless such event of default has been remedied or cured before the giving of such notice; provided, however, that, except in the case of default in the payment of principal or Redemption Price of, or interest on, any of the Series 2012 Bonds, the Trustee shall be protected in withholding such notice thereof to the Owners of Series 2012 Bonds if and so long as the Trustee in good faith determines that the withholding of such notice is in the best interests of the Owners of the Series 2012 Bonds.

General

The Series 2012 Bonds are not a debt of the State or SONYMA, nor will the State or SONYMA be liable thereon. The Authority has no taxing power. See "PART 8 - THE AUTHORITY."

Additional Bonds

In addition to the Series 2012 Bonds, the Resolution authorizes the issuance by the Authority of other Series of Bonds to finance Projects for the benefit of the Institution and for other specified purposes provided that, upon the delivery thereof, certain conditions are met, including the issuance by SONYMA of a mortgage insurance policy. Each series of Bonds issued under the Resolution will be separately secured from each other. See "Appendix D - Summary of Certain Provisions of the Resolution."

PART 3- STATE OF NEW YORK MORTGAGE AGENCY

As further described below, the State of New York Mortgage Agency ("SONYMA") operates a mortgage insurance program. Mortgage Loans insured by SONYMA are referred to as the "SONYMA-insured Mortgage Loans." The Bonds are not insured by SONYMA and SONYMA is not liable on the Bonds.

SONYMA was established pursuant to the State of New York Mortgage Agency Act, Chapter 612 of the Laws of New York, 1970, as amended (the "SONYMA Act"). The directors of SONYMA consist of the State Comptroller or his appointee, the Director of the Budget of the State of New York, the Commissioner of the New York State Division of Housing and Community Renewal, one director appointed by the Temporary President of the State Senate, one director appointed by the Speaker of the State Assembly, and four directors appointed by the Governor with the advice and consent of the State Senate. SONYMA employs a staff of approximately 113 employees, including 11 persons who staff the legal, underwriting and risk evaluation, administrative and servicing units of the SONYMA Mortgage Insurance Fund. The issuance of commitments to insure loans of greater than $2,000,000 requires the approval of SONYMA's Mortgage Insurance Committee and the issuance of commitments to insure loans of greater than $7,000,000 also requires the approval of the directors of SONYMA.

The SONYMA Act authorizes SONYMA to enter into commitments to insure mortgages and contracts of mortgage insurance and to contract to facilitate the financial activities of the Convention Center Development Corporation (the "CCDC"), a subsidiary of the New York State Urban Development Corporation, and to fulfill SONYMA's obligations and enforce its rights under any insurance or financial support so furnished. Part II of the SONYMA Act, authorizing the mortgage insurance program, was adopted by the State Legislature in 1978 to encourage financial institutions to make mortgage loans in neighborhoods suffering from disinvestment by providing mortgage insurance to minimize the investment risk. In 1989, the SONYMA Act was amended to authorize SONYMA to provide insurance for a loan or pool of loans (a) when the property is located in an "economic development zone" as defined under State law, (b) when the property will provide affordable housing, (c) when the entity providing the mortgage financing was or is created by local, State or Federal legislation, and certifies to SONYMA that the project meets the program criteria applicable to such entity or (d) when the property will provide a retail or community service facility that would not otherwise be provided. In December 2004, the SONYMA Act was amended to authorize SONYMA to enter into agreements with CCDC to provide a source or potential source of financial support to bonds of the CCDC and, to the extent not otherwise provided in respect of the support of bonds, for its ancillary bond facilities.

The SONYMA Act authorizes SONYMA to create a mortgage insurance fund (the "SONYMA Mortgage Insurance Fund"). The SONYMA Mortgage Insurance Fund is used as a revolving fund for carrying out the provisions of the SONYMA Act with respect to mortgages insured thereunder and with respect to providing credit support for the CCDC bonds or ancillary bond facilities. The Bonds are not secured by monies held in the SONYMA Mortgage Insurance Fund and SONYMA is not liable on the Bonds. The SONYMA Act provides that all monies held in the SONYMA Mortgage Insurance Fund, with certain exceptions, shall be used solely for the payment of its liabilities arising from mortgages insured by SONYMA or for providing credit support for the CCDC bonds or ancillary bond facilities pursuant to the SONYMA Act. Only monies in the appropriate accounts of the SONYMA Mortgage Insurance Fund will be available to SONYMA for payment of SONYMA's liabilities under the SONYMA mortgage insurance policies for the SONYMA-insured Mortgage Loans (the "SONYMA Insurance").

The SONYMA Act establishes within the SONYMA Mortgage Insurance Fund a project pool insurance account with respect to insurance on properties other than one to four dwelling units (the "Project Pool Insurance Account"), a special account (the "Special Account"), a single family pool insurance account with respect to insurance related to one to four dwelling units (the "Single Family Pool Insurance Account"), and a development corporation credit support account with respect to providing credit support for the bonds or ancillary bond facilities of the CCDC (the "Development Corporation Credit Support Account"). The Development Corporation Credit Support Account is a source or potential source of payment of the sum of the respective amounts (or percentages) of required or permissive funding by the CCDC of each reserve and financial support fund established by the CCDC for its bonds and, to the extent not otherwise provided in respect of the support of bonds, for its ancillary bond facilities for which SONYMA has determined that the Development Corporation Credit Support Account is or will be a source or potential source of funding.

The SONYMA Act provides that assets of the Project Pool Insurance Account, the Special Account, the Single Family Pool Insurance Account and the Development Corporation Credit Support Account shall be kept separate and shall not be commingled with each other or with any other accounts which may be established from time to time, except as authorized by the SONYMA Act. The SONYMA-insured Mortgage Loans are insured by SONYMA under the Project Pool Insurance Account.

The SONYMA Act provides that all monies held in the Project Pool Insurance Account, with certain exceptions, shall be used solely for the payment of its liabilities arising from mortgages insured by SONYMA pursuant to the SONYMA Act. The claims-paying ability of each of the Project Pool Insurance Account and the Single Family Pool Insurance Account of the SONYMA Mortgage Insurance Fund are rated "Aa1" by Moody's Investors Service. The claims-paying ability of the Project Pool Insurance Account and the Single Family Pool Insurance Account of the SONYMA Mortgage Insurance Fund are rated "AA-" and "AA+," respectively, by Fitch, Inc. Such ratings reflect only the views of such organizations; an explanation of the significance of such ratings may be obtained from the respective rating agencies. There is no assurance that such ratings will continue for any period of time or that they will not be revised downward or withdrawn entirely by such rating agencies if, in their judgment, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds. These ratings were established subsequent to SONYMA's change in its procedures to now require that reserves established with respect to project primary insurance it provides be deposited to the Project Pool Insurance Account. The claims paying ability of the Development Corporation Credit Support Account has not been rated. The SONYMA Act provides that SONYMA may not execute a contract to provide credit support to the bonds or ancillary bond facilities of the CCDC if, at the time such contract is executed, such execution would impair any then existing credit rating of the Single Family Pool Insurance Account or the Project Pool Insurance Account.

The SONYMA Mortgage Insurance Fund is funded primarily by a surtax on the State mortgage recording tax. Section 253(1-a) of the State Tax Law (the "State Tax Law") imposes a surtax (the "Tax") on recording mortgages of real property situated within the State. Excluded from the Tax are, among others, recordings of mortgages executed by voluntary nonprofit hospital corporations, mortgages executed by or granted to the Dormitory Authority of the State of New York and mortgages, wherein the mortgagee is a natural person, on mortgaged premises consisting of real property improved by a structure containing six or fewer residential dwelling units, each with separate cooking facilities. The Tax is equal to $0.25 for each $100 (and each remaining major fraction thereof) of principal debt which is secured by the mortgage. Section 261 of the State Tax Law requires the respective recording officers of each county of the State, on or before the tenth day of each month, after deducting certain administrative expenses incident to the maintenance of their respective recording offices, to pay SONYMA for deposit to the credit of the SONYMA Mortgage Insurance Fund the portion of the Tax collected by such counties during the preceding month, except that: (i) with respect to mortgages recorded on and after May 1, 1987, the balance of the Tax paid during each month to the recording officers of the counties comprising the Metropolitan Commuter Transportation District on mortgages of any real property improved by a structure containing six residential dwelling units or less with separate cooking facilities, shall be paid over to the Metropolitan Transportation Authority; (ii) with respect to mortgages recorded on and after May 1, 1987, the balance of the Tax paid during each month to the recording officers of the County of Erie on mortgages of any real property improved by a structure containing six residential dwelling units or less with separate cooking facilities, shall be paid over to the State Comptroller for deposit into the Niagara Frontier Transportation Authority light rail rapid transit special assistance fund; and (iii) Taxes paid upon mortgages covering real property situated in two or more counties shall be apportioned by the State Tax Commission among SONYMA, the Metropolitan Transportation Authority and the Niagara Frontier Transportation Authority, as appropriate.

Mortgage recording taxes have been collected in the State for more than 75 years. SONYMA has been entitled to receive Tax receipts since December 1978. Under existing law, no further action on the part of the State legislature is necessary for the SONYMA Mortgage Insurance Fund to continue to receive such monies. However, the State is not bound or obligated to impose, or to impose at current levels, the mortgage recording taxes described above or to direct the proceeds to SONYMA as currently provided. The SONYMA Mortgage Insurance Fund's receipt of Tax receipts is dependent upon the performance by the county recording officers of their collection and remittance obligations; the State Tax Commission is given general supervisory power over such officers. Tax receipts paid to the Mortgage Insurance Fund in calendar years 2006, 2007, 2008, 2009 and 2010 were approximately $184 million, $210 million, $140 million, $73 million and $64 million respectively. Through and including October 31, 2011, the tax receipts payable to the Mortgage Insurance Fund in calendar year 2011 were approximately $67 million. Tax receipts have fluctuated over the period they have been payable to the Mortgage Insurance Fund, due to changing conditions in the State's real estate market.

The SONYMA Act provides that SONYMA must credit the amount of money received from the recording officer of each county to the Special Account. The SONYMA Act provides that SONYMA may credit from the Special Account to the Project Pool Insurance Account, the Single Family Pool Insurance Account or the Development Corporation Credit Support Account, such moneys as are needed to satisfy the mortgage insurance fund requirement (as defined in the SONYMA Act) (the "Mortgage Insurance Fund Requirement") of the Project

Pool Insurance Account, the Single Family Pool Insurance Account and the Development Corporation Credit Support Account, respectively, except that during any twelve-month period ending on March thirty-first the aggregate amount credited to the Development Corporation Credit Support Account (excluding investment earnings thereon) shall not exceed the lesser of (i) fifty million dollars or (ii) the aggregate of the amounts required under the contracts executed by SONYMA to provide credit support to the CCDC's bonds or ancillary bond facilities. The SONYMA Act also provides that if at any time the moneys, investments and cash equivalents (valued as determined by SONYMA) of the Project Pool Insurance Account, the Single Family Pool Insurance Account or the Development Corporation Credit Support Account exceed the amount necessary to attain and maintain the credit rating or, with respect to credit support to the CCDC's bonds or ancillary bond facilities, credit worthiness (as determined by SONYMA) required to accomplish the purposes of either of such Accounts, SONYMA shall transfer such excess to the Special Account. Any excess balance in the Special Account is required to be remitted to the State annually. The SONYMA Act provides that no monies shall be withdrawn from any account within the SONYMA Mortgage Insurance Fund at any time in such amount as would reduce the amount in each account of such Fund to less than its applicable Mortgage Insurance Fund Requirement, except for the purpose of paying liabilities as they become due and for the payment of which other monies are not available. There can be no assurance that the amounts on deposit in the Project Pool Insurance Account will not be depleted through payment of liabilities arising with respect to insured mortgage loans other than the SONYMA-insured Mortgage Loans.

The Mortgage Insurance Fund Requirement as of any particular date of computation is equal to an amount of money or cash equivalents equal to (a) the aggregate of (i) the insured amounts of loans and such amount of credit support for the CCDC's bonds or ancillary bond facilities that SONYMA has determined to be due and payable as of such date pursuant to its contracts to insure mortgages or provide credit support for the CCDC's bonds or ancillary bond facilities plus (ii) an amount equal to twenty per centum (20%) of the amounts of loans insured under SONYMA's insurance contracts plus twenty per centum (20%) of the amounts to be insured under SONYMA's commitments to insure less the amounts payable pursuant to subparagraph (i) above (provided, however, that if the board of directors of SONYMA shall have established a higher per centum for a category of loans pursuant to the SONYMA Act, such per centum shall be substituted for twenty per centum (20%) in this paragraph as, for example, the March 2001 board of directors determination that the per centum for special needs facilities was forty per centum (40%)), plus (iii) an amount equal to the respective amounts established by contracts under which SONYMA has determined that the Development Corporation Credit Support Account will provide credit support for CCDC, less the amounts payable with respect to credit support for CCDC's bonds or ancillary bond facilities pursuant to subparagraph (i) above less (b) the aggregate of the amount of each reinsurance contract procured in connection with obligations of SONYMA determined by SONYMA to be a reduction pursuant to this paragraph in calculating the Mortgage Insurance Fund Requirement. Pursuant to the SONYMA Act, the board of directors of SONYMA may, from time to time, establish a Mortgage Insurance Fund Requirement in an amount higher than the twenty per centum (20%) set forth above. There can be no assurance that, in the future, there will not be additional changes in the Mortgage Insurance Fund Requirement for any category of loans.

As of October 31, 2011, the amount of reserves (money or cash equivalents) in the Project Pool Insurance Account was $1,319,026,769 and the Mortgage Insurance Fund Requirement related to such Account was $671,643,133. Amounts on deposit in the Project Pool Insurance Account may be transferred to other accounts or withdrawn as described in the second preceding paragraph.

As of October 31, 2011, the SONYMA Mortgage Insurance Fund's total liability against project mortgage insurance commitments and policies in force was $2,983,761,791 and the SONYMA Mortgage Insurance Fund had a total loan amount on outstanding project mortgage insurance commitments and policies in force of $3,218,774,403.

As of October 31, 2011, the Project Pool Insurance Account had paid 55 project mortgage insurance claims for loss in the aggregate amount of $115,338,197. As of October 31, 2011, the SONYMA Mortgage Insurance Fund had 22 project mortgage insurance policies in force on which claims for loss had been submitted. SONYMA estimates that its total liability thereon is $41,954,729.

On September 28, 2005, the board of directors of SONYMA authorized SONYMA to enter into a credit support agreement with CCDC, pursuant to which SONYMA has agreed to provide credit support for the New York Convention Center Development Corporation Revenue Bonds (Hotel Unit Fee Secured) Series 2005 (the "CCDC Series 2005 Bonds") issued by CCDC. SONYMA has made an initial deposit of $33.8 million into the Development Corporation Credit Support Account and, thereafter, will maintain a minimum balance of $25 million in such Account. These moneys will be used to support the payment of an amount equal to up to one-third of the scheduled principal and interest due on the CCDC Series 2005 Bonds.

In addition to the mortgage insurance program and the credit support program, the SONYMA Act authorizes SONYMA to purchase and make commitments to purchase mortgage loans on single-family (one-to four-unit) housing and home improvement loans from certain lenders in the State. The SONYMA Act also empowers SONYMA to make and purchase certain student loans. SONYMA may issue its bonds to finance purchases of loans.

Copies of SONYMA's audited financial statements for the fiscal year ended October 31, 2010 are available from the State of New York Mortgage Agency, 641 Lexington Avenue, New York, New York 10022, telephone (212) 688-4000.

SONYMA makes no representation as to the contents of this Official Statement (other than this section), the suitability of the Bonds for any investor, the feasibility of any Project or compliance with any securities or tax laws and regulations which may relate to the issuance and sale of the Bonds.

SONYMA's role is limited to providing the coverage set forth in the SONYMA Insurance.

PART 4- THE SERIES 2012 BONDS

Description of the Series 2012 Bonds

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

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

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

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

Redemption Provisions

The Series 2012 Bonds are subject to redemption as described below.

Optional Redemption

The Series 2012 Bonds are not subject to optional redemption prior to maturity.

Mandatory Redemption

The Series 2012B Bonds are subject to redemption, in part, through the application of Sinking Fund Installments upon notice given as prescribed in the Resolution on each July 1 of the years and in the respective principal amounts set forth below, at a Redemption Price equal to 100% of the principal amount of the Series 2012B Bonds to be redeemed, plus accrued interest to the date of redemption. Subject to the provisions of the Series 2012B Resolution 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 2012B Bonds on July 1 of each year the principal amount of Series 2012B Bonds specified for each of the years shown below:

Year	Amount
2012	$ 50,000
2013	50,000
2014*	185,000

*Maturity.

There will be credited against and in satisfaction of the Sinking Fund Installment payable on any date, the principal amount of Series 2012B Bonds entitled to such Sinking Fund Installment (A) purchased with moneys in the Debt Service Fund pursuant to the Resolution, (B) purchased by the Institution or the Authority and delivered to the Trustee for cancellation or (C) deemed to have been paid in accordance with the Resolution. Series 2012B Bonds purchased with moneys in the Debt Service Fund will be applied against and in fulfillment of the Sinking Fund Installment of the Series 2012B Bonds so purchased payable on the next succeeding July 1. Series 2012B Bonds purchased by the Authority or the Institution (other than from amounts on deposit in the Debt Service Fund) and delivered to the Trustee for cancellation or deemed to have been paid in accordance with the Resolution will be applied in satisfaction, in whole or in part, of one or more Sinking Fund Installments as the Authority shall specify in a written direction to the Trustee. To the extent the Authority's obligation to make Sinking Fund Installments in a particular year is so satisfied, the likelihood of redemption through mandatory Sinking Installments of a Bondholder's Series 2012B Bonds of the maturity so purchased will be reduced for such year.

Extraordinary Mandatory Redemption

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

Special Mandatory Redemption

The Series 2012 Bonds are subject to special mandatory redemption in whole or in part at any time prior to maturity at 100% of the principal amount to be redeemed plus interest accrued to the redemption date from the proceeds of a lump sum payment by SONYMA under the SONYMA Mortgage Insurance Policy received by the Authority in the event of a Covered Default by the Institution under the Mortgage.

Selection of Bonds to be Redeemed

In the case of a redemption of Series 2012 Bonds prior to maturity, Series 2012 Bonds will be redeemed to the extent practicable pro rata among maturities within the Series 2012 Bonds to be redeemed. If less than all of the Series 2012 Bonds of a maturity are to be redeemed prior to maturity, the Series 2012 Bonds of such maturity to be redeemed will be selected by the Trustee, by lot, using such method of selection as the Trustee shall consider proper in its discretion.

Notice of Redemption

The Trustee is to give notice of the redemption of the Series 2012 Bonds in the name of the Authority which notice shall be given by first-class mail, postage prepaid, not less than thirty (30) days nor more than forty-five (45) days prior to the redemption date to the registered owners of any Series 2012 Bonds which are to be redeemed, at their last known addresses appearing on the registration books of the Authority, except that, with respect to any special mandatory redemption, such notice shall be given at least ten (10) days prior to the redemption date. Each notice of redemption, other than a notice of "Special Redemption", may state, in addition to any other condition, that the redemption is conditioned upon the availability on the redemption date of sufficient moneys to pay the Redemption Price of the Series 2012 Bonds to be redeemed. The failure of any owner of a Series 2012 Bond to be redeemed to receive notice of redemption thereof will not affect the validity of the proceedings for the redemption of such Series 2012 Bond.

If, on the redemption date, moneys for the redemption of the Series 2012 Bonds of like maturity to be redeemed, together with interest thereon to the redemption date, are held by the Trustee so as to be available for payment of the Redemption Price, and if notice of redemption has been mailed, then interest on the Series 2012 Bonds of such maturity will cease to accrue from and after the redemption date and such Series 2012 Bonds will no longer be considered to be Outstanding under the Resolutions.

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

Book-Entry Only System

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

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic, computerized, book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the

DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Direct and Indirect Participants (collectively, "Participants") are on file with the Securities and Exchange Commission. More information about DTC can be found at **www.dtcc.com**.

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

To facilitate subsequent transfers, all Series 2012 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2012 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2012 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2012 Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2012 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2012 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Resolution and other related documents. For example, Beneficial Owners of Series 2012 Bonds may wish to ascertain that the nominee holding the Series 2012 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar for the Series 2012 Bonds and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2012 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2012 Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2012 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

The information in this section set forth above has been obtained from sources that the Authority believes to be reliable, but the Authority, the Trustee and the Hospital take no responsibility for the accuracy thereof.

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

So long as Cede & Co. is the registered owner of the Series 2012 Bonds, as nominee for DTC, references herein to the Bondholders, Holders, owners or registered owners of the Series 2012 Bonds (other than under the captions "PART 11 - TAX MATTERS" and in "PART 17 – CONTINUING DISCLOSURE" herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 2012 Bonds.

Principal and Interest Requirements for the Series 2012 Bonds

The following table sets forth the Loan Agreement payments required to be made by the Institution during each twelve-month period ending June 30 of the Bond Years shown for the payment of principal of and interest on the Series 2012 Bonds and the total debt service with respect to the Series 2012 Bonds.

12-Month Period Ending June 30	Principal Installments	Interest Payments	Total Debt Service
2012	$ 50,000	$ 66,976.98	$ 116,976.98
2013	50,000	185,787.50	235,787.50
2014	695,000	184,662.50	879,662.50
2015	705,000	170,300.00	875,300.00
2016	720,000	156,200.00	876,200.00
2017	745,000	127,400.00	872,400.00
2018	765,000	112,500.00	877,500.00
2019	785,000	89,550.00	874,550.00
2020	810,000	66,000.00	876,000.00
2021	850,000	25,500.00	875,500.00
Total:	$6,175,000	$1,184,876.98	$7,359,876.98

PART 5- ESTIMATED SOURCES AND USES OF FUNDS

Estimated sources and uses of funds are as follows:

Series 2012A Bonds

Sources of Funds	
Principal Amount of the Series 2012A Bonds	$5,890,000.00
Transfers from Trustee-held Funds	1,256,983.95
Original Issue Premium on Series 2012A Bonds	389,834.65
Total Sources	$ 7,536,818.60
Uses of Funds	
Refunding Escrow	$ 6,854,579.96
Debt Service Reserve Account	279,687.56
NYS Bond Issuance Fee	29,536.73
DASNY Fee	95,384.62
Department of Health Fee	29,450.00
Title Insurance	18,402.55
Additional Costs of Issuance	125,590.41
Debt Service Account	104,186.77
Total Uses	$ 7,536,818.60

Series 2012B Bonds

Sources of Funds	
Principal Amount of the Series 2012B Bonds	$ 285,000.00
Total Sources	$ 285,000.00
Uses of Funds	
Debt Service Reserve Account	$ 11,139.52
Underwriting Fee for the Series 2012 Bonds	177,719.28
NYS Bond Issuance Fee	478.00
DASNY Fee	4,615.38
Department of Health Fee	1,425.00
Title Insurance	890.45
Additional Costs of Issuance	88,732.37
Total Uses	$ 285,000.00

PART 6- THE INSTITUTION

Overview

Ryan/Chelsea-Clinton Community Health Center, Inc. (the "Institution"), formerly Ryan/Clinton Community Health Center, Inc., is a federally qualified health center ("FQHC") located in New York City that has been serving the Clinton and Chelsea neighborhoods of Manhattan since July 2001. In 2010, the Institution saw almost 11,000 patients for a total of approximately 40,000 patient encounters. With over 75 full- and part-time staff, the Institution provides high quality, comprehensive, primary and preventive healthcare services that are linguistically and culturally sensitive to low-income, medically underserved and un-served populations.

The Institution is affiliated with the William F. Ryan Community Health Center, Inc. (the "Ryan Center"), which was first established in 1967 as the Mid-Westside Neighborhood Health Council, before becoming a free-standing independent facility in 1975. In addition to its main facility on West 97th Street, the Ryan Center operates the Ryan-NENA Community Health Center on the Lower East Side, the Ryan/Women and Children's Center on the Upper West Side, and the Ryan/Adair Community Health Center in Harlem. Together with the Institution, these sites are known informally as the Ryan Health Network (the "Ryan Network"). Collectively, the Ryan Network's practitioners saw over 45,000 patients for more than 200,000 patient encounters across Manhattan.

Through this affiliation, the Institution has access to the Ryan Center's 45 years of experience in community health services, and has also benefited from the Ryan Center's administrative, clinical and technical expertise, particularly through the successful installation and implementation of an Electronic Health Records ("EHR") system. Also, the Ryan Center's longstanding relationship with St. Luke's-Roosevelt Hospital Center ("SLRHC") led to an arrangement by which SLRHC internal medicine residents and preceptors (teaching physicians) treat the Institution's patients at the Institution's own facility. In addition, since SLRHC closed its primary care clinic (adult medicine and pediatrics), most of these patients have chosen to receive services from sites in the Ryan Network.

Even with this past decade of growth and success, the Institution's facility still has capacity to treat more patients for more overall encounters. In the current regulatory climate, federal and State governments are emphasizing initiatives which require EHR capability and integrated patient-centered services, in particular those involving primary care. The Institution has demonstrated resources in all these areas.

Corporate Structure, Applicable Regulations and Relationship with the Ryan Center

The Institution is a not-for-profit corporation incorporated under the laws of New York State which operates and maintains a diagnostic and treatment center ("D&TC"), as defined in Article 28 of the New York Public Health Law. The Institution is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), exempt from federal income tax pursuant to Section 501(a) of the Code. The Institution is also exempt from state and local income and property taxes.

The Institution's status as an FQHC is derived from its compliance with the laws and regulations under Section 330 of the U.S. Public Health Service Act. Principally, an FQHC must treat all patients, regardless of their ability to pay, and must have a board comprised of at least fifty-one (51) percent consumers of the FQHC's services (as described more fully below). FQHC status entitles the Institution to annual Section 330 grant funding. The Section 330 grant received by the Ryan Center specifies the Institution as a sub-recipient, which entitles the Institution to dedicated Section 330 grant funding in the amount of $1.05 million annually.

Although the Institution is a sub-recipient of the Ryan Center's Section 330 grant, the Institution is a separate and distinct corporate entity from the Ryan Center. The Institution elects its own Board of Directors ("Board") at its annual meeting pursuant to the Institution's by-laws. Four (4) out of nine (9) Directors of the Board are also presently members of the Board of Directors of the Ryan Center. Historically, as well as currently, the majority of the Board has been independent of the Ryan Center. The sub-recipient agreement in place between the

Institution and the Ryan Center provides for, among other things, that certain administrative, financial, technical and clinical services be provided by the Ryan Center to the Institution. The Chief Financial Officer and General Counsel at the Ryan Center also serve in the same capacities for the Institution. The Chief Medical Officer at the Ryan Center is available in a senior advisory capacity in the performance and development of medical policies and procedures.

The Institution is solely obligated to the Authority to make payments under the Loan Agreement, the Note, and other SONYMA Documents. The payment of premium or principal of and interest on the Bonds and the obligations of the Institution under the Bond documents have not been guaranteed by the Ryan Center, do not constitute a debt or liability of the Ryan Center, shall not be payable out of any funds or assets of the Ryan Center, and are non-recourse to the Ryan Center.

The Institution is a D&TC which is included within the definition of "hospital" for purposes of Article 28 of the Public Health Law of the State of New York. D&TCs to which the Authority may make loans and the projects which they construct and operate are, in certain respects, regulated by law and, in other respects, subject to supervision and regulation for the State Commissioner of Health (the "Commissioner") and the New York State Department of Health during the period that the Authority's loan is outstanding. All applicable regulations are subject to change from time to time.

Article 28-B of the Public Health Law of the State of New York, the Hospital Mortgage Loan Construction Law, regulates D&TCs which enter into loans with the Authority. Article 28-B requires that all income and earnings of a D&TC be used exclusively for its corporate purposes; restricts the sale, encumbrance or other transfer of the real property or other assets mortgaged to the Authority; provides that no part of the net income or earnings of a D&TC inure to the benefit or project of any private individual, firm or corporation; requires the filing of annual financial reports by D&TCs with the Commissioner; and regulates the issuance of notes, bonds, debentures and other obligations of D&TCs.

The Commissioner, in the supervision and regulation of D&TCs, may from time to time make, amend, and repeat rules and regulations for carrying into effect the provisions of Article 28-B of the Public Health Law.

Governance

The Board of the Institution is presently composed of nine (9) directors. The Institution's by-laws provide that the Institution's Board shall consist of at least nine (9) but not more than fifteen (15) directors. Directors are elected by the Institution's Board at its Annual Meeting. The term of office is two (2) years, with the Board classes being staggered in two classes. The by-laws specify that a majority of Directors (at least fifty-one (51) percent) shall be individuals who are registered patients of the Institution and have used the Institution as their primary source of health care within the last two (2) years. This requirement complies with the laws, regulations and guidelines for recipients of Section 330 grant funding. The Executive Director of the Institution is a non-voting *ex officio* Director.

The following are the present members of the Board:

- Walter Delacruz, Esq. (Chair)
- Michael Williams, MSW (Vice-Chair)
- Sherry Santore, RN (Secretary)
- Brad Doles
- Beth Goldstein-McCusker
- E. Ronald Guy
- Harriet King, Esq.
- Hope Mason, MPA
- Steven Platt, DMD

Executive Staff

Arnel Tirado – Executive Director

Ms. Tirado has worked in various capacities for different healthcare providers in New York City for over 30 years. In March 2008, she became the Deputy Director of the Institution and was promoted to Executive Director in February 2011. Prior to joining the Institution, Ms. Tirado was employed by the Montefiore Medical Group in Bronx, New York as Director of Operations (2004 – 2008); Associate Director – Family Care Center (2003 – 2004); and Associate Director – Family Health Center (2000-2003). Earlier in her career, she was an Organization Development Specialist at the Medical & Health Research Association of New York City in New York, New York (1998-2000); Credentialing Specialist at the Metropolitan Physicians Practice Association, IPA, Inc. in New York, New York (1996-1998); Director of Business & Clinical Affairs at the Department of Urology, Montefiore Medical Center in Bronx, New York (1991-1996); and Program Director at the New York Foundling Hospital Preventive Services Program in New York, New York (1987-1991).

Medical Director

The Medical Director position is presently vacant, but the Institution has reached an agreement with Carolyn Chu, M.D., to start in this position on February 13, 2012. Dr. Chu is Board Certified in Family Medicine, and was an Attending Physician in the Department of Family and Social Medicine at Montefiore Medical Center in the Bronx (2007-2012). She also served as an Assistant Professor in the Department of Family and Social Medicine at the Albert Einstein College of Medicine in Bronx (2009-2012). She received her Doctor of Medicine from the University of North Carolina-Chapel Hill, and has a Master's of Science in Clinical Research Methods from the Albert Einstein College of Medicine. She has researched and published on the HIV primary and collaborative care models.

Presently, the duties of the Medical Director for the Institution are being handled by the Chief Medical Officer of the Ryan Center, Daniel Baxter, M.D. Dr. Baxter returned to the Ryan Center as the Chief Medical Officer in January 2009, having previously served as its Medical Director from 1997 to 2002. From 2002 to 2008, he was Clinical Advisor for the Ministry of Health's ARV and PMTCT programs in Botswana. Dr. Baxter also worked as Assistant Medical Director at Casa PROMESA Residential AIDS Facility in the Bronx, and was an Attending Physician at Spellman Center for HIV Related Diseases at St. Clare's Hospital Center. Dr. Baxter is Board Certified in Internal Medicine. He received his Doctorate of Medicine from the University of Pennsylvania, and completed his residency training at University Hospitals of Cleveland. In addition, Dr. Baxter is the author of The Least of These My Brethren, a book recounting his experiences on an inpatient hospital ward caring for people living with AIDS.

Brian McIndoe – Chief Financial Officer

As Chief Financial Officer since July 2009, Mr. McIndoe is responsible for the Institution's overall financial management, including the fiscal departments of Accounting, Grant management, Purchasing, Billing, Budgeting, Managed Care and Payroll. From 2007 to 2009, Mr. McIndoe was the Chief Financial Officer at St. Mary's Hospital in Passaic, New Jersey, where he was responsible for the hospital's overall financial management. In March of 2007 Mr. McIndoe played a key role in the merger of St. Mary's Hospital with Beth Israel Hospital, also in Passaic, New Jersey. Previously, Mr. McIndoe worked at the Pascack Valley Hospital in Westwood, New Jersey: he was the Senior Vice President of Finance (1988-2006) and the Director of Budget and Reimbursement (1986-1988). Mr. McIndoe has a BS degree in accounting from Montclair State College and a Masters in Health Care Administration from Long Island University.

Jonathan Fried, Esq. – General Counsel

Mr. Fried has been the General Counsel for the Institution since May 2011. Previously, he was a senior associate with the firm Kramer Levin Naftalis & Frankel LLP (1997-2011) where he handled complex litigation and regulatory matters. Mr. Fried received his J.D. from the New York University School of Law.

Summary of Programs and Services

The Institution's mission is to provide high quality, comprehensive, primary and preventive healthcare services that are linguistically and culturally sensitive to low-income, medically underserved and un-served residents of the Chelsea and Clinton communities of Manhattan. Each patient is assigned a Primary Care Physician ("PCP") who provides direct care on-site, as well as overseeing and coordinating referrals for specialty services either on-site or in the community. Primary care and preventive services include adult internal medicine; pediatric, including well-child care; immunization and preventive adolescent healthcare; geriatrics; women's health, including gynecology and family planning; nutrition; and social services. Select specialties and ancillary services such as dermatology, infectious diseases, optometry, podiatry, dental, gastroenterology, radiology and phlebotomy are provided on-site. Translation services are provided to all patients with language barriers. At full capacity, the Institution could service approximately 20,000 patients per year for over 65,000 patient encounters.

Patients are seen on either a scheduled or walk-in basis, and evening and weekend hours are offered. For services not provided on-site, including mental health and substance abuse, patients are referred to SLRHC or other community-based providers.

In addition to hosting the SLRHC adult medicine residency program, the Institution maintains a formal agreement with SLRHC to insure that patients have access to the full continuum of health services. SLRHC serves as the Institution's back-up hospital and makes available emergency, specialty, diagnostic imaging, and inpatient services to the patients of the Institution. All patients discharged from the SLRHC emergency room, and specialty or inpatient services, are referred back to the Institution for continuing outpatient care. SLRHC and the Institution collaborate to assure continuity of care by sharing medical, nursing, financial/billing and other patient related information as may be required by either party to deliver quality care regardless of a patient's ability to pay.

The Institution has a number of other significant relationships with community based organizations which the Institution has developed through its Community Relations and Special Projects teams. These include a collaboration with the Hudson Guild, a Chelsea community center, which sponsors health fairs where the Institution provides healthcare screenings and distributes health education materials. The Hudson Guild also promotes the Institution's special events in the community, such as the Pediatric Lecture Series and monthly health awareness events. Such collaborations have led to patient referrals from the Hudson Guild. Similarly, the Institution has a strong relationship with the Hispanic AIDS Forum (HAF), whereby the Institution refers patients not eligible for HIV/AIDS Service Administration Housing assistance to the HAF, and the HAF refers many of their members to the Institution for access to healthcare and case management services. In addition, a representative of the Institution serves on the advisory committee of the Making Healthy Choices Program at the Post Graduate Center for Mental Health. This program promotes positive physical health outcomes for individuals with serious mental illness (and co-occurring disorders) and has led to referrals to the Institution for primary care services.

The Institution has a number of innovative programs and partnerships to enhance its services. Among these is participation in the Community HealthCorps program, which is the largest health-focused, national AmeriCorps program promoting healthcare for America's underserved, while developing tomorrow's healthcare workforce. Through the Institution's Outreach and Prevention Program, Community HealthCorps members table at health fairs, host monthly special events, and provide health education workshops throughout the Institution's service area. Principal topics include nutrition for the elderly and children, heart and diabetes health, dental health and sexual health.

The Institution also offers an integrated HIV care program, which serves almost 250 patients annually. HIV-positive patients have Case Management Services available to them which provide Medical and Supportive Case Management. Specific assistance is provided to ensure patients are connected to all available services and programs and referrals are made in connection with diverse needs, such as immigration, housing and education. Health Education Groups and Specialized Risk Reduction Groups are also conducted to assist patients with the development of skills to reduce the risk of co-infection, promote self-efficacy and achieve self-management goals.

In 2010, the Institution was selected by the U.S. Department of Health and Human Services as one of only 10 organizations across the nation to host The Patient Navigation Outreach and Chronic Disease Prevention Program (the "PN Program"). This quality improvement program aims to provide chronic disease management services to populations suffering from healthcare disparity while also reducing barriers to care. Patients in the PN Program are those with diabetes, hypertension, congestive heart failure, and/or pediatric asthma. A full-time on-site Patient Navigator works individually with patients to reduce barriers to timely access to care, and helps patients learn the skills needed for self-management of their conditions.

In April 2011, the National Committee for Quality Assurance awarded the Institution, Level 3 Patient Centered Medical Home ("PCMH") status, the highest level achievable. In a PCMH, patients are assigned to a PCP with whom they develop a partnership to insure the clinically indicated care is provided in a culturally and linguistically appropriate manner. The PCP is responsible for coordinating the care of the patient and arranges for appropriate care with other qualified physicians within the Institution and, if necessary, makes referrals to other healthcare organizations. The goal of the PCMH model is a personal physician-led care team to increase overall quality of care, maximize coordination of care, and reduce costs by avoiding unnecessary tests and emergency rooms visits and/or hospitalizations.

Employees

As of January 1, 2012, the Institution has fifty-seven (57) full-time employees, six (6) part-time employees and thirteen (13) contracted employees. There are also seventeen (17) preceptors or attending physicians who treat patients at the Institution's facility through the SLRHC residency program, and two (2) Community HealthCorps Members and two (2) VISTA members which work at the Institution.

Labor Relations

Excluding management employees and contracted services, the Institution's non-physician employees are members of 1199SEIU United Healthcare Workers EAST ("1199"). The Institution and 1199 are parties to a Collective Bargaining Agreement dated November 14, 2003 ("CBA"). Pursuant to the CBA, the Institution and 1199 entered into a contract on October 9, 2009, extending the term of the CBA through April 30, 2015 and setting terms and conditions for wages, among other matters, also through April 30, 2015. Senior Managers of the Institution and the 1199 Organizer and 1199 On-site Delegate meet periodically to discuss program updates and/or discuss employee concerns.

On October 28, 2011, the Institution and the New York State Federation of Physicians & Dentists (the "Federation") entered into an agreement for the Federation to represent the Institution's physicians and dentists. A collective bargaining agreement between the parties has not yet been finalized.

The Institution's management believes its employee relations to be excellent, and there have been no work stoppages or interruptions under either of the above agreements.

Service Area

As defined by the Board of Directors, the primary service area of the Institution is that area of Manhattan which is bounded on the south by 14th Street; the west by the Hudson River; the north by 59th Street; and the east by

8th Avenue. This area generally comprises the neighborhoods known as Chelsea and Clinton. According to the 2010 Census, this area (Manhattan Districts 4 and 5) has a population in excess of 150,000.

Summary of Historical Revenues and Expenses

The following summary of historical revenue and expenses of the Institution for each year in the two year period ended December 31, 2010 has been derived from the Institutions audited financial statements. The audited financial position of the Institution as of December 31, 2009 and 2010, and the related statement of operations, changes in net assets and cash flows for each of the years then ended, together with the report from TCBA Watson Rice, independent auditors, as set forth in Appendix B.

The summary of revenue and expenses for the eleven months ended November 30, 2010 and November 30, 2011 were taken from the Institution's unaudited financial statements. The unaudited financial statements include all adjustments, consisting of normal recurring accruals, which management considers necessary for a fair presentation of the financial position and the results of operations for these periods. Operating results for the eleven months ended November 30, 2011 are not necessarily indicative of the results that may be expected for the entire year ending December 31, 2011. The summary should be read in conjunction with the audited financial statements and related notes to the financial statements of the Institution and the report of the independent auditors included in Appendix B.

SUMMARY OF INSTITUTION'S HISTORICAL REVENUES AND EXPENSES[1]

	Year Ended December 31, (Audited)		Eleven Months Ended November 30, (Unaudited)	
	2010	**2009**	**2011**	**2010**
Revenues				
Patient services - net	$6,751,160	$6,839,425	$5,509,411	$6,085,975
Grants and contract services	1,737,798	1,661,923	2,518,149	1,452,469
Fundraising – net of expenses	53,729	-	-	53,729
Others	120,235	118,977	47,415	97,247
Total Revenues	$8,662,922	$8,620,325	$8,074,975	$7,689,420
Expenses				
Salaries and benefits	$4,629,517	$4,867,898	$3,987,476	$4,231,772
Other than personnel services	3,204,680	3,235,603	2,610,697	2,746,312
Interest	512,870	511,692	439,093	471,406
Provision for doubtful accounts	77,648	34,410	61,004	199,199
Total Expenses	$8,424,715	$8,649,603	$7,098,270	$7,648,689
Operating Income/(Loss) Prior to Depreciation and Amortization	238,207	(29,278)	976,705	40,731
Depreciation and Amortization	580,991	437,688	465,588	401,214
Changes in Net Assets	$(342,784)	$(466,966)	$511,117	$(360,483)

[1]Sources: December 31, 2010 and 2009 audited financial statements and unaudited financial statements for the eleven months ended November 30, 2011 and 2010.

Management's Discussion of Financial Performance:

Eleven Months Ended November 30, 2011 Compared to Eleven Months Ended November 30, 2010

The Institution had an operating gain of $976,705 for the eleven months ended November 30, 2011 as compared to an operating gain of $40,731 for the eleven months ended November 30, 2010. Total operating revenue increased $385,555 from 2010 to 2011 primarily due to a one time grant of $900,000 from the Afia Foundation. Encounters (outpatient visits) were 33,904 as of November 30, 2011, which is a decrease of 2,250 in comparison to November 30, 2010. The primary reason for the decrease in the encounters was turnover within the provider staff.

The Institution's operating expenses for the eleven months ended November 30, 2011 decreased $550,419 over the prior year period. Salaries and fringe benefits decreased $244,296 due to cost reduction measures that were instituted and staff turnover. The other personnel service decreased $135,615 when compared to the prior period primarily due to reduction in Pharmacy and Laboratory cost. Depreciation increased $64,374 when compared to the prior period.

Year Ended December 31, 2010 compared to Year Ended December 31, 2009

The Institution incurred an operating gain of $238,207 in the fiscal year 2010 as compared to an operating loss of $29,278 in 2009. This variance was primarily due to a decrease in operating expenses $224,888, which occurred in salary and fringe benefits.

Net patient service revenue decreased by $88,265 primarily due to a decrease in the New York State Uncompensated Care Funds of $281,815.

Grants and contract services increased $75,875, or 4.5% from 2009 to 2010. This was primarily due to an increase in a grant the Institution received from the Afia Foundation for the Institution's AmeriCorps program.

Total operating expenses decreased $224,888 from 2009 to 2010. This was primarily due to a decrease in salary and fringe benefit cost of $238,381. Depreciation increased $143,303 when comparing 2010 to 2009.

Outstanding Indebtedness

As of November 30, 2011, the Institution's outstanding indebtedness, aside from the loan agreement, which secures the prior bonds, which are being refunded with the proceeds of the Series 2012 Bonds, consisted of a loan agreement with the Afia Foundation with a principal amount of $1,130,000. As of November 30, 2011 the outstanding balance of such loan was $1,055,108. In 2005 and 2006, the City Council of the City of New York (the "City Council"), awarded the Institution $1.13 million for EHR implementation which the Institution will use to pay off such loan. The Institution anticipates it will receive the funding in 2012.

The Institution also entered into a related party transaction with the Ryan Center, pursuant to which the Ryan Center has paid for certain expenses on behalf of the Institution since its inception. The total liability as of November 30, 2011 is $8,497,096 inclusive of a subvention certificate issued by the Ryan Center in the amount of $1,600,000. The subvention certificate does not require fixed or contingent payments. Since December 31, 2009 the Institution has paid down this debt to the Ryan Center by over $1,000,000.

Sources of Patient Revenue

The major portion of revenue received by the Institution is derived from third party payers and the Section 330 grant. The Institution is a provider under the Medicaid and Medicare programs and also receives payments from commercial insurance plans and health maintenance organizations. The following table shows the percentage of distribution of billable encounters by payer source for the three years ended December 31, 2008, 2009 and 2010.

Percent of Billable Encounters by Payer Source

Payer	*Years Ended December 31,* ***2008***	***2009***	***2010***
Medicaid	12.8%	11.5%	11.1%
Medicaid Managed Care	41.8%	39.1%	41.3%
Medicare	11.4%	16.4%	16.3%
Commercial	12.3%	11.9%	10.4%
Self Pay	21.7%	21.1%	20.9%
Total	100.0%	100.0%	100.0%

Aggregate Patient Revenue by Payer Source

Payer	*Years Ended December 31,* ***2008***	***2009***	***2010***
Medicaid	$1,535,548	$1,301,179	$1,586,581
Medicaid Managed Care	3,739,020	3,649,443	3,642,913
Medicare	387,106	397,192	278,877
Commercial	249,923	291,159	289,445
Self Pay	507,028	482,945	517,652
NYS Uncompensated Care Pool	965,335	717,507	435,692
Total	$7,383,960	$6,839,425	$6,751,160

All sources of patient revenue represents historical data and may not be indicative of future activity. The Institution cannot assess or predict the effect on its operations which may result from future reimbursement legislation or regulation.

Grants and Contract Service Revenue

The major portion of the Institution's grants and contract revenue comes from dedicated sub-recipient Section 330 grant funding in the amount of $1.05 million. In addition, the Institution receives revenue for its AmeriCorps and Vaccines for Children programs. The Institution anticipates a grant of $1.13 million in 2012 from the City Council to compensate for the implementation of the Institution's EHR system. These monies will be utilized to repay a loan from the Afia Foundation which was used to implement the EHR system in 2009. The following table shows the grants and contract services revenue for the three years ended December 31, 2008, 2009 and 2010.

Grants and Contract Services Revenue

Grant/Contract	*Years Ended December 31,* 2008	2009	2010
Passed Through William F. Ryan			
Consolidated Health Center Program	$1,050,000	$1,050,000	$1,050,000
Outpatient Early Intervention Services (HIV)	100,000	100,000	100,000
NYC Department of Health			
Vaccines for Children Program	165,750	159,750	150,925
Electronic Health Record	76,553	-	-
Community Based Social Service Programs			
AmeriCorps Program	272,814	93,143	100,541
SLRHC Program	100,004	99,996	100,000
Afia Foundation	1,000,000	126,231	175,121
Revlon Program	19,000	14,400	10,000
Other	15,803	18,403	51,211
Total	$2,799,924	$1,661,923	$1,737,798

Insurance

Medical Professional Liability Insurance

Pursuant to its FQHC status, the Institution is deemed to be a federal employee under the Federally Supported Health Centers Assistance Act of 1992 (as amended) and/or the Federally Supported Health Centers Assistance Act of 1995 (as amended), and therefore has primary Medical Professional Liability Coverage under the Federal Tort Claims Act (FTCA). All lawsuits against the Institution which allege Medical Professional Liability are referred to HRSA and are defended by the U.S. Department of Justice. The FTCA has no specific coverage limits and coverage is "occurrence" based.

The Institution also maintains a Medical Professional "Wraparound" Policy to ensure there are no gaps in coverage. The current policy with OneBeacon Insurance Co. ("OneBeacon") provides limits of $1,000,000 per claim with a $5,000,000 annual aggregate. Each "Insured Medical Practitioner" is provided an individual limit of $1,000,000 per claim with a $5,000,000 annual aggregate. The Institution and all mid-levels share in a separate $1,000,000/$5,000,000 limit.

Coverage is on a "claims made" basis with a retroactive date of October 10, 2005. Prior to October 10, 2005, coverage was written with Executive Risk Indemnity, Inc. (part of the Chubb Group). The coverage limits were the same as on the current OneBeacon Policy and the policy was on a "claims made" basis with a retroactive date of July 16, 2001. When OneBeacon replaced Executive Risk on October 1, 2005, the Institution exercised its option to purchase a pre-paid unlimited Extended Reporting Period Endorsement from Executive Risk. This endorsement provides coverage for claims reported after October 1, 2005, but which arose out of incidents occurring between July 16, 2001 and October 1, 2005.

Other Insurance

The Institution also maintains the following additional insurance coverage: General Liability; Directors' and Officers' Liability (including Employment Practices Liability and Third Party Coverage); Fiduciary Liability; Crime; Property (including Business Interruption and Extra Expense); Automobile Liability; Workers'

Compensation and Employer's Liability; and Excess Liability (excess of General Liability, Auto Liability, and Employer's Liability).

Litigation

The only suit pending in which the Institution has been named as a defendant is captioned *Frank Bogues v. Paulette Stewart, M.D. and Ryan/Chelsea-Clinton Community Health Center, Inc.*, Index No. 2010/104577 (Supreme Court, New York County) (the "*Bogues* Action"). In this case, the plaintiff alleges that his medical condition was not properly treated. The case was originally filed in 2005 under a different index number and the U.S. Department of Justice assumed the defense pursuant to the FTCA, removed the case to U.S. District Court (SDNY), and substituted the United States for Dr. Stewart and the Institution. On March 22, 2010, the District Court dismissed the case for lack of subject matter jurisdiction on the grounds that the Institution was not effectively "deemed" to be a federal employee under the FTCA and expressly noted that the dismissal was without prejudice to refiling the case in state court. In response to the District Court's ruling, plaintiff filed the *Bogues* Action on April 10, 2010. Coverage is being provided pursuant to the Institution's "wraparound" policy. The action has proceeded through initial discovery. While the Institution cannot evaluate the likelihood or cost of any negative outcome, at this time, any such outcome would not materially adversely affect the Institution.

The Institution is a plaintiff in the case captioned *Community Health Care Association of New York (CHCANYS), et al., v. New York State Department of Health, et al.,* Index No. 10 CV 8258 (U.S. District Court, SDNY). This case was commenced by and on behalf of community health centers and alleges that the State of New York, through a variety of practices, deprives community health centers of payments to which they are entitled under the federal Medicaid program.

Except as set forth above, there is no action, suit, investigation or proceeding pending or, to the knowledge of the Institution, threatened against the Institution or any properties or rights of the Institution before any court, arbitrator or administrative or governmental body which in the opinion of management of the Institution might result in any material adverse change in the business, condition or operations of the Institution or which involves the possibility of materially adversely affecting the ability of the Institution to comply with the Loan Agreement.

Regulatory and Other Factors Which May Affect the Institution's Revenues

General

The revenue and expenses of the Institution are affected by the changing healthcare environment. These changes are a result of efforts by the federal and state governments, managed care organizations, private insurance companies and business coalitions to reduce and contain healthcare costs. In addition to matters discussed elsewhere herein, the following factors may have a material effect on the operations of the Institution to an extent that cannot be determined at this time.

The receipt of future revenues by the Institution is subject to, among other factors, federal and state regulations and policies affecting the healthcare industry and the policies and practices of managed care providers, private insurers and other third party payors, and private purchasers of healthcare services. The effect on the Institution of future statutes and regulations and changes in federal, state and private policies cannot be precisely determined at this time.

Future economic conditions, which may include an inability to control expenses in periods of inflation, and other conditions such as demand for healthcare services, the receipt of grants and contributions, referral of patients from other community based organizations, increased use of health maintenance organizations ("HMOs") and preferred provider organizations ("PPOs") with discounted payment schedules, economic and demographic developments in the United States and in the service area in which the Institution is located, competition from other healthcare institutions, and changes in rates, costs, third-party payments and governmental regulations concerning payment, are among other factors which may adversely affect revenues and expenses.

Legislative, Regulatory, and Contractual Matters Affecting Revenue

The healthcare industry is heavily regulated by the federal and state governments. A substantial portion of revenue of healthcare providers is derived from governmental sources. Governmental revenue sources are subject to statutory and regulatory changes, administrative rulings, interpretations of policy, determinations by fiscal intermediaries, and government funding restrictions, all of which may materially increase or decrease the rates of payment and cash flow to healthcare entities. In the past, there have been frequent and significant changes in the methods and standards used by government agencies to reimburse and regulate the operation of healthcare entities. There is no reason to believe that substantial additional changes will not occur in the future or that payments made under such programs will remain at levels comparable to the present levels or that they will be sufficient to cover all existing costs.

Legislation is periodically introduced in Congress and in the State legislature that could result in limitations on the Institution's revenue, third-party payments, and costs or charges, or that could result in increased competition. From time to time, legislative proposals are made at the federal and state level to engage in broader reform of the healthcare industry, including proposals to promote competition in the healthcare industry, to contain healthcare costs, to prevent healthcare fraud, to provide national health insurance and to impose additional requirements and restrictions on healthcare insurers, providers and other healthcare entities. The effects of future reform efforts on the Institution cannot be predicted.

The Institution is an FQHC as designated by the Centers for Medicare and Medicaid Services. FQHCs are essential community providers and some, like the Institution, receive a Federal Community Health Center (Section 330) grant for providing services to the medically underserved. In addition, FQHCs have certain enhanced reimbursement methodologies to ensure that they continue to provide services to the medically underserved during this time of health reform. In addition, for Medicaid patients enrolled in managed care, FQHCs are also provided with a supplemental payment from Medicaid for the difference between the Medicaid rate and reimbursement received from managed care plans. Given the uncertainties surrounding the federal budget and healthcare spending, maintenance of the Community Health Center grant funding levels and FQHC rate enhancements could be the subject of future review.

Managed Care and Consumer Directed Health Plans

Managed care and consumer directed health plans, which include various payment methodologies and utilization controls, are increasingly being offered by traditional insurance companies and managed care organizations in the State. Payment methodologies include discounts from established charges, fee schedules and capitation payments. Enrollment in managed care and consumer directed health plans has increased, and these plans are expected to have a greater influence on the manner in which healthcare services are delivered and paid for in the future. Managed care programs and consumer directed health plans are expected to significantly reduce the utilization of healthcare services generally. The financial condition of the Institution may be adversely affected by these trends.

Medicare and Medicaid Managed Care

Medicare is encouraging and facilitating the development of managed care products for Medicare beneficiaries. Enrollment in a Medicare managed care product is currently voluntary and enrollees may disenroll and reenroll in the traditional Medicare fee-for-service system at any time. Commercial insurers and HMOs typically offer managed care products for the Medicare population. The Balanced Budget Act of 1997 established Medicare+Choice, a program that allows healthcare providers (institutions and physicians) to contract directly with the United States Institutions for Medicare and Medicaid Services ("CMS"), formerly known as the United States Health Care Financing Administration ("HCFA"), to form networks for the purpose of directly serving and insuring Medicare beneficiaries through the assumption of financial risk. Definitions and requirements for these networks, which are referred to as Provider Sponsored Organizations ("PSOs"), were published by HCFA as an interim rule in the April 14, 1998 edition of the Federal Register and as a final rule in the June 29, 2000 edition of the Federal Register.

Medicare enrollees in managed care products have their healthcare managed and paid for by the applicable insurer, HMO or PSO (the "managed care plan"). The managed care plan is reimbursed by the Medicare program on a monthly per-beneficiary amount for each Medicare enrollee. The managed care plan is at full financial risk for cost overruns that exceed the per-beneficiary amounts paid to it by Medicare. Consequently, the managed care plan and its participating healthcare providers seek to reduce utilization and otherwise control the costs of providing care to Medicare beneficiaries. These financial considerations may contribute to reduced per patient revenues for the Institution's Medicare patients. Enrollment in Medicare managed care plans is expected to continue increasing and substantial numbers of Medicare beneficiaries are expected to enroll in such plans.

Patient Protection and Affordable Care Act

As a result of the Patient Protection and Affordable Care Act ("PPACA"), enacted on March 23, 2010, substantial changes have already occurred and more are anticipated in the United States healthcare system. PPACA and the regulations that will follow are intended by its supporters to be transformative and includes numerous provisions affecting the delivery of healthcare services, the financing of healthcare costs, reimbursement of healthcare providers and the legal obligations of health insurers, providers, employers and consumers. These provisions are slated to take effect at specified times over the next decade or so, and therefore the fully consequences of PPACA on the healthcare industry will not be immediately realized. Due to the complexity of PPACA, the full ramifications of federal healthcare reform legislation may become apparent only following implementation or through later regulatory and judicial interpretations. Portions of PPACA may also be limited or nullified as a result of legal challenges or amendments. In addition, the uncertainties regarding the implementation of PPACA create unpredictability for the strategic and business planning efforts of healthcare providers.

The changes in the healthcare industry brought about by PPACA will likely have both positive and negative effects, directly and indirectly, on the nation's hospitals and other healthcare providers, including the Institution. For example, the projected increase in the number of individuals with healthcare coverage as a consequence of Medicaid expansion, creation and expansion of health insurance exchanges, subsidies to purchase insurance, and the mandate for individuals to purchase insurance, could result in lower levels of bad debt and increased utilization or profitable shifts in utilization of healthcare providers. Providers may also be subject to reduced reimbursement as a result of the recommendations of the Medicare Independent Payment Advisory Board ("MIPAB"), whose mandate is to reduce Medicare cost growth. The MIPAB's recommended reductions, beginning in 2014, will be implemented automatically unless Congress adopts alternative legislation that meets equivalent savings targets. Industry experts also expect that government cost reduction actions may be followed by private insurers and payers. The Institution's Medicare and other revenues may be affected by these provisions.

PPACA likely will affect some healthcare organizations differently than others, depending, in part, on how each organization adapts to the legislation's emphasis on directing more federal healthcare dollars to integrated provider organizations and providers with demonstrable achievements in quality care. For example, PPACA is expected to fund various demonstration programs and pilot projects and other voluntary programs to evaluate and encourage new provider delivery models and payment structures, including "accountable care organizations" and bundled provider payments. The outcomes of these projects and programs, including the likelihood of their being made permanent or expanded or their effect on healthcare organizations' revenues or financial performance, cannot be predicted.

Many of PPACA's initiatives share the common element of emphasizing the effectiveness of a healthcare organization's health information technology. The Institution fully implemented its Electronic Health Records system in October 2009 significantly enhancing patient care, and allowing the Institution to participate fully in PPACA and State initiatives such as health insurance exchanges and "meaningful use" protocols. One of the main concepts embedded throughout PPACA is the theory of "patient centeredness" which is expected to enhance the retention of a healthcare organization's existing patient base, and lead to improved treatment outcomes. Improving care coordination, both in-house and throughout a patient's geographic is also emphasized. PPACA is also expected to lead to new reimbursement models and drivers for patients' and providers' success. Increased emphasis on upgrading financial management systems, improving health information technology and updating corporate compliance measures are all expected to flow from PPACA-driven regulations and initiatives. While the Institution has taken steps to comply with PPACA and to anticipate where future changes from this broad-ranging legislation may occur, there is significant political and regulatory uncertainty over how PPACA will be implemented, or whether all of the financial inducements envisioned for PPACA initiatives will be fully funded. The management of the Institution cannot assess or predict the ultimate effect of PPACA on the Institution's operations.

PPACA is highly politicized. Initiatives to repeal it in whole or in part, to delay elements of implementation or funding, and to offer amendments or supplements to modify its provisions have been proposed. Several legal challenges to the constitutionality of PPACA have been filed, and conflicting rulings have been issued by various federal Courts of Appeals. The U.S. Supreme Court is expected to rule on the various challenges to PPACA in the current term, with a decision likely to follow later this year. At this time it is unclear what further action, if any, Congress, the current administration, or any future administrations, or the federal courts may take with respect to PPACA. In this unpredictable context, no projections can be made as to the future implementation or content of PPACA. Based on all of the above, it is particularly difficult for management of the Institution to project future performance at this time.

PPACA's Effect on Medicare

The Medicare Modernization Act of 2003 changed the name of the Medicare+Choice program to the Medicare Advantage program. As of 2010, payments to Medicare Advantage plans accounted for approximately 22% of total Medicare spending. The payment policy for Medicare Advantage plans changed significantly since the program's origination; while the original goal was to cut costs and increase savings, the focus shifted to increased benefits for program beneficiaries, resulting in costs for Medicare Advantage plan beneficiaries that were higher than Medicare fee-for-service costs. PPACA restructures payments to Medicare Advantage plans to bring them more in line with fee-for-service costs. Payments to Medicare Advantage plans will be updated, over a phase-in period of three to six years, by setting payments to different percentages of Medicare fee-for-service rates. Payments will be increased for areas with low fee-for-service rates, and reduced for areas with higher rates.

Future actions by the federal and state governments are expected to continue the trend toward more restrictive limits on reimbursement for Institution services. As an FQHC, the Institution is entitled to a supplemental payment from Medicare for the difference between the Institution's Medicare reimbursement rate and the reimbursement received from the managed care plan on a per visit basis. This federal protection could be the subject of review as federal deficit reduction measures are being considered. The management of the Institution cannot assess or predict the ultimate effect of any such legislation or regulation, if enacted or adopted, on its operations.

The Institution also participates in the federal and State Medicaid program. In order to control Medicaid expenditures, the State has sought to enroll large numbers of Medicaid patients in managed care programs because experience in other states has shown that inpatient utilization decreases for Medicaid recipients who are enrolled in such programs. Enrollment of Medicaid patients in managed care programs, payments to managed care organizations for care rendered to them, the financial risk assumed by the managed care organization and the resulting and potential financial and other risks to the Institution are similar to those for Medicare managed care programs.

The State's program for mandatory Medicaid enrollment, The Partnership Plan (also known as the 1115 Waiver), was approved by HCFA in July 1997, allowing the State to begin enrolling most Medicaid recipients in managed care plans. There remains the possibility that managed care providers will seek to reduce the compensation healthcare providers are currently receiving under the Medicaid program and direct that such enrollees use the services of only managed care provider approved organizations. As with Medicare, the Institution's status as an FQHC entitles it to a supplemental payment from Medicaid for the difference between the

Institution's Medicaid reimbursement rate and the reimbursement received from the managed care plan on a per visit basis. This federal protection could be the subject of review as federal deficit reduction measures are being considered.

State Medicaid Initiatives

The New York Medicaid Redesign Team, a task force created by the Governor of New York to reduce costs and increase quality and efficiency in the Medicaid program, set forth a proposal to reduce the profit component included in the plan rates from 3.0% to 1.0% for the Medicaid and Family Health Plus managed care programs. A 1.0% profit allocation may be inadequate to provide the managed care organizations with sufficient margins to cover unexpected costs or to maintain appropriate reserves.

The 2012 fiscal year State budget proposed a global Medicaid cap that would permanently restrain the annual growth of Medicaid spending. The Governor's Executive Budget for the 2013 fiscal year reflects such a cap. It is premature for the management of the Institution to evaluate the effect, if any, of this cap on the Institution's revenues and operations, or whether the cap on Medicaid spending will continue in future State budgets.

Department of Health Regulations and Programs

The Institution is subject to extensive regulations regarding quality of care and other aspects of its operations by the New York State Department of Health. Compliance with such regulations may require substantial expenditures for administrative or other costs. The Institution's ability to add services and to modify existing services materially is also subject to Department of Health review and approval through the State's Certificate of Need ("CON") process. Approvals can be highly discretionary, may involve substantial delay, and may require substantial changes in the proposed request. Accordingly, the Institution's ability to make changes to its service offerings and respond to changes in the healthcare environment may be limited.

The Governor's Executive Budget for the 2013 fiscal year also contains provisions to implement a new coordination of care program for patients with complex high-cost healthcare needs. Groups or partnerships of healthcare providers will be designated as a "health home" for such patients. The regulations governing the Health Home Program are still in the process of being implemented by the State; thus, while the Institution is exploring various opportunities for partnerships with other healthcare providers, it is premature for management to opine on what effect, if any, the Health Home Program will have on the operations and revenues of the Institution.

The Governor's Executive Budget for the 2013 fiscal year also has provisions for the establishment of a New York State Health Benefit Exchange ("HBE") that would implement PPACA's provisions to expand health insurance coverage. The exact nature and details of the HBE are not yet promulgated, so the Institution cannot determine what effect, if any, the HBE will have on the Institution.

Other Governmental Regulation

The Institution is subject to regulatory actions and policy changes by those governmental and private agencies that administer the Medicare and Medicaid programs and actions by, among others, the National Labor Relations Board and professional and industrial relations of staff and employees, applicable professional review organizations, The Joint Commission ("TJC"), the various federal, state and local agencies created by the National Health Planning and Resources Development Act, the Occupational Safety Health Act, the act creating the Environmental Protection Agency, the Internal Revenue Service and other federal, state and local governmental agencies.

The Institution, as well as many other similar healthcare organizations throughout the nation, is frequently subject to audits and other investigations by federal and state government agencies and private payors relating to various segments of its operations. The New York State Office of the Medicaid Inspector General ("OMIG"), has been particularly aggressive in recovering Medicaid overpayments from providers. The management of the Institution does not believe that any current audits or investigations will result in a liability that would have a material adverse impact on the business, operations or financial condition of the Institution.

The Governor's Executive Budget for the 2013 fiscal year proposes to cap executive compensation levels by restricting the amount of State monies which may be used to reimburse not-for-profit entities for executive compensation. This proposal has not been enacted so the Institution cannot know what, if any, effect it will have on FQHCs.

Competition

The healthcare industry is in the process of rapid and fundamental change, due in large part to the growing national strength of managed care plans. The growth of the managed care industry is being driven in part by increasing pressures from employers and other purchasers that are seeking to reduce their healthcare premium costs. In New York, integrated delivery systems are developing in order to provide adequate geographical coverage for major purchasers of healthcare and to provide a system through which potential cost savings may become available. Hospitals and integrated delivery systems are also now focusing efforts on expanding their ambulatory care networks. These factors may further increase competitive pressures on ambulatory care providers, including the Institution.

Management believes that sustained growth in patient volume, together with firm cost controls, and continued superior outcomes will be increasingly important as the healthcare environment becomes more competitive. There are many limitations on the ability of the Institution to increase volume and control costs, and there can be no assurance that volume increases or expense reductions needed to maintain the financial stability of the Institution will occur.

Federal, State and Local Grant Funding

A significant portion of the revenue of the Institution is received from federal, State and local grants and contracts which are renewed on a regular basis, often annually. As the federal and State governments deliberate over how to balance their budgets, potential reductions to grants and contracts with healthcare providers is a possibility. Reductions of such grants and contracts may reduce this category of revenue or prevent the Institution from receiving adequate reimbursement for its costs and serving the uninsured.

Accreditation

The Institution is subject to periodic review by TJC and the various federal, state and local agencies created by the National Health Planning and Resources Development Act of 1974. The Institution has accreditation from TJC through February 2013. No assurance can be given as to the effect on future operations of existing laws, regulations and standards for certification or accreditation, of any future changes in such laws, regulations and standards, or of certification or accreditation decisions.

Federal "Fraud And Abuse" Laws And Regulations

The Federal Medicare/Medicaid Anti-Fraud and Abuse Amendments to the Social Security Act (the "Anti-Kickback Law") make it a felony offense to knowingly and willfully offer, pay, solicit or receive remuneration in order to induce business for which reimbursement is provided under a federal health care program, including without limitation Medicare or Medicaid. In addition to criminal penalties, including fines of up to $25,000 and five years imprisonment, violations of the Anti-Kickback Law can lead to civil monetary penalties and exclusion from the Medicare and Medicaid programs. The scope of prohibited payments in the Anti-Kickback Law is broad and includes, subject to certain limited exceptions, economic arrangements involving hospitals, physicians and other healthcare providers, including certain joint ventures, space and equipment rentals, purchases of physician practices and management and personal services contracts.

The Health Insurance Portability and Accountability Act of 1996 ("HIPAA") contains provisions for enhanced enforcement, increases to the scope of the Anti-Kickback Law, additional sanctions for violations of such laws and other measures designed to protect the integrity of federal healthcare programs. HIPAA created a new program operated jointly by the Secretary of the United States Department of Health and Human Services ("HHS") and the Attorney General of the United States to coordinate federal, state and local law enforcement with respect to fraud and abuse. HIPAA also provides for minimum periods of exclusion from federal reimbursement or third-party payment programs as a penalty for fraudulent billing or similar fraudulent activities; allows intermediate sanctions; and expands the scope of civil monetary penalties applicable to any federal health care programs. In addition, HIPAA and the regulations promulgated thereunder implemented new federal privacy and security requirements.

HHS had published certain safe harbor regulations that describe certain arrangements that will be deemed not to constitute violations of the Anti-Kickback Law. The safe harbors described in the regulations are narrow and do not cover a wide range of economic relations which many hospitals, physicians and other healthcare providers consider to be legitimate business arrangements not prohibited by the statute.

Further, various federal laws, including the federal False Claims Act, make it a criminal and/or civil violation to submit (or cause to be submitted) fraudulent (or recklessly incorrect) requests for reimbursement or payment from a federal program, including federal health care programs such as Medicare and Medicaid. Violations of these laws and regulations can lead to criminal actions, treble damages, disgorgement of proceeds fraudulently obtained and/or additional financial penalties ranging up to $11,000 per false claim. Other federal and state laws also prohibit false, reckless or fraudulent billing to non-governmental third-party payors for medical services, and can impose civil and/or criminal penalties for such activities. A State false claims act has also been enacted and new healthcare fraud crimes have been defined in New York State law. OMIG taken a very aggressive stance with regard to Medicaid fraud and Medicaid overpayment. In August 2011, the Institution self-disclosed to OMIG and repaid to the State an overpayment of Medicaid reimbursements in the amount of $68,405.95.

Management of the Institution believes that their current practices are presently in compliance with the Anti-Kickback Law, applicable billing and reimbursement regulations, and HIPAA. The Institution, through its compliance program, routinely monitors institutional billing practices with the goal of assuring compliance with applicable law. However, in light of the narrowness of the safe harbor regulations and the scarcity of the case law interpreting the Anti-Kickback Law and the confusing body of laws and guidelines relating to Medicare and Medicaid billing, there can be no assurance that the Institution will not be found to have violated the Anti-Kickback Law, HIPAA and/or other billing laws and regulations and, if so, that any sanction imposed would not have a material adverse effect on the operations or the financial condition of the Institution

HIPAA Privacy Regulations

When Congress enacted HIPAA, it required HHS to implement national standards to protect the privacy and security of individual health information. HHS published a set of privacy and security regulations, which became effective on April 14, 2001, governing the release of protected health information. The deadline for healthcare providers to be fully compliant with the privacy regulations was April 14, 2003. The regulations prohibit any covered entity, including FQHCs, from using or disclosing an individual's protected health information unless the use or disclosure is authorized by the individual (or his or her personal representative) or is specifically required or permitted under the privacy regulations. The privacy regulations impose a complex system of requirements for meeting this basic rule. The privacy regulations also provide for the imposition of both civil and criminal penalties for violations of the statute. Civil penalties can range up to $25,000 per violation. Criminal penalties include fines of up to $50,000 and imprisonment of up to 1 year. Criminal penalties increase substantially if the offense occurs under false pretenses or with the intent to sell, transfer, or use individually identifiable health information for commercial advantage, personal gain or malicious harm.

HHS published a set of final security regulations on February 20, 2003, effective April 20, 2005 (although health plans with annual receipts of $5 million or less had until April 20, 2006 to comply). The security regulations specify a series of administrative, technical and physical security procedures for covered entities to use to assure the confidentiality of electronic protected health information. The standards are delineated into either required or addressable implementation specifications. The security regulations provide for the imposition of civil penalties of a $100 fine per person, per violation, not to exceed $25,000 in a calendar year.

HITECH

The Health Information Technology for Economic and Clinical Health Act (HITECH Act) was enacted in 2009 to advance meaningful use of health information technology. Subtitle D of the HITECH Act addresses privacy and security of electronic health information. HITECH strengthens several HIPAA enforcement provisions by establishing categories of culpability for violations, and corresponding tiers of penalty amounts. Civil monetary penalties for such violations can now reach a maximum penalty amount of $1.5 million for all violations of an identical provision.

The administrative and financial burden of complying with the HIPAA privacy and security regulations is substantial. The Institution believes its health information systems are now in compliance with the privacy and security regulations. The Institution has appointed both a privacy officer and a security officer to oversee the implementation of the privacy and security standards and teams work with the privacy officer and security officer to ensure compliance.

Congressional and IRS Activity

PPACA imposes standards for the tax exemption of charitable hospitals, and the Institution is considered a "hospital" for these purposes under the Code. PPACA requires that the Institution complete a community needs assessment once every three years, and adopt a financial assistance policy. The law also provides that the IRS shall review the tax-exempt status of such healthcare organizations every three years. Sen. Charles Grassley, ranking member of the Senate Finance Committee, was largely responsible for the inclusion of the tax exemption standards in PPACA. Senator Grassley has also requested that Congress estimate the cost of the nonprofit tax exemption, which will bring heightened scrutiny to the tax exempt status of such healthcare organizations.

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. While management believes the Institution's arrangements with private persons and entities are generally consistent with guidance by IRS and do not constitute private inurement, 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.

Code Section 4958 imposes intermediate sanction 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 has continued to function as a charity. The tax is imposed on the disqualified person receiving the excess benefit. An additional tax may be imposed on any officer, director, trustee or other person having similar powers or responsibilities who knowingly participated in the transaction willfully or without reasonable cause. "Excess benefit transactions" include transactions in which a disqualified person receives unreasonable compensation for services or receives other economic benefit from the organization that exceeds fair market value. "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.

Intermediate sanction penalties can also be assessed in situations where the exempt organization, or an entity controlled by the organization, provides an economic benefit to a disqualified person without maintaining contemporaneous written substantiation of the organization's intent to treat the benefit as compensation. If the written contemporaneous substantiation requirements are not satisfied and unless the organization can establish that it provided the economic benefit in exchange for consideration other than the performance of services (i.e., a bona fide loan), the IRS shall deem such a transaction an "automatic" excess benefit transaction without regard to whether: (1) the economic benefit is reasonable; (2) any other compensation the disqualified person may have received is reasonable; or (3) the aggregate of the economic benefit and any other compensation the disqualified person may have received is reasonable. There is no defense to the assessment of automatic excess benefit penalties.

The imposition of excise tax based upon a finding that an exempt organization engaged in an excess benefit transaction could result in negative publicity and other consequences that could have a material adverse effect on the operations, property, or assets of the Institution or on the market for its debt obligations.

Environmental and Safety Matters

Healthcare providers are subject to a wide variety of federal, state and local environmental and occupational health and safety laws and regulations. These requirements govern matters such as medical and toxic or hazardous waste management, air and water quality control, notices to employees and the public and training requirements for employees. Healthcare operators and employers such as the Institution are subject to potentially material liability for costs of achieving and maintaining compliance, any penalties associated with regulatory non-compliance, as well as for costs of investigating and remedying the releases of any toxic or hazardous substances either on their properties or that have migrated from their property or have been improperly disposed of off-site and the harm to person or property that such releases or the use and management of such substances may cause.

Provider-Specific Taxes

The Medicaid Voluntary Contribution and Provider-Specific Tax Amendments of 1991 established standards that govern how states can impose and use provider-specific taxes. In general, states are allowed to impose broad-based, provider-specific taxes that are redistributive and do not contain "hold harmless" provisions.

Malpractice Claims and General Liability Insurance

In recent years, the number of malpractice and general liability suits and the dollar amounts of recoveries has moderated nationwide, resulting in slower growth in malpractice insurance premiums. Insurance premiums may continue to rise in future years, which could have a negative effect on the financial condition of the healthcare providers. As an FQHC, the Institution is entitled to malpractice coverage under the FTCA. Under FTCA, malpractice claims against the Institution are properly first filed with the U.S. Department of Health and Human Services, Health Resources Administration ("HRSA"), which refers them to the U.S. Department of Justice, as the Institution is deemed to be a federal employee for purposes of the FTCA. The Institution also maintains a gap policy to cover malpractice claims that may not be covered under FTCA. On a regular basis, the federal government reviews the amount of claims settled, nationally, against the appropriation and re-evaluates the appropriation level. As the federal government reviews the budget deficit, the level of FTCA coverage could be reviewed and adjusted.

PART 7- THE REFUNDING PLAN

Substantially all of the proceeds of the Series 2012A Bonds will be used, together with other available amounts, to refund the Refunded Bonds. Such proceeds and other available amounts will be deposited with the trustee for the Refunded Bonds upon the issuance and delivery of the Series 2012A Bonds, and will be held in trust for the payment of the redemption price of the Refunded Bonds. In the opinion of Bond Counsel, upon making such deposit with such trustee and the issuance of certain irrevocable instructions to such trustee, the Refunded Bonds will, under the terms of the resolution pursuant to which they were issued, be deemed to have been paid and no longer outstanding, and the pledge of the revenues and other moneys and securities pledged under such resolution to the Refunded Bonds and all other rights granted by such resolution to the Refunded Bonds shall be discharged and satisfied.

PART 8- THE AUTHORITY

Background, Purposes and Powers

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

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

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

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

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

At December 31, 2011, the Authority had approximately $45 billion aggregate principal amount of bonds and notes outstanding, excluding indebtedness of the Agency assumed by the Authority on September 1, 1995 pursuant to the Consolidation Act. The debt service on each such issue of the Authority's bonds and notes is paid from moneys received by the Authority or the trustee from or on behalf of the entity having facilities financed with the proceeds from such issue or from borrowers in connection with its student loan program.

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

The total amounts of the Authority bonds and notes (excluding debt of the Agency assumed by the Authority on September 1, 1995 pursuant to the Consolidation Act) outstanding at December 31, 2011 were as follows:

Public Programs	Bonds Issued	Bonds Outstanding	Notes Outstanding	Bonds and Notes Outstanding
State University of New York Dormitory Facilities	$ 2,738,656,000	$ 1,364,250,000	$ 0	$ 1,364,250,000
State University of New York Educational and Athletic Facilities	15,153,032,999	6,963,824,624	0	6,963,824,624
Upstate Community Colleges of the State University of New York	1,644,630,000	669,655,000	0	669,655,000
Senior Colleges of the City University of New York	11,126,291,762	3,735,313,213	0	3,735,313,213
Community Colleges of the City University of New York	2,590,993,350	552,686,787	0	552,686,787
BOCES and School Districts	3,279,181,208	2,439,090,000	0	2,439,090,000

Judicial Facilities	2,161,277,717	668,012,717	0	668,012,717
New York State Departments of Health and Education and Other	7,400,435,000	4,980,015,000	0	4,980,015,000
Mental Health Services Facilities	8,662,585,000	4,239,910,000	0	4,239,910,000
New York State Taxable Pension Bonds	773,475,000	0	0	0
Municipal Health Facilities Improvement Program	1,146,845,000	728,335,000	0	728,335,000
Totals Public Programs	$ 56,677,403,036	$ 26,341,092,341	$ 0	$ 26,341,092,341

Non-Public Programs	**Bonds Issued**	**Bonds Outstanding**	**Notes Outstanding**	**Bonds and Notes Outstanding**
Independent Colleges, Universities and Other Institutions	$ 20,619,329,952	$ 10,700,855,536	$ 78,095,000	$ 10,778,950,536
Voluntary Non-Profit Hospitals	15,257,544,309	7,237,960,000	0	7,237,960,000
Facilities for the Aged	2,030,560,000	638,140,000	0	638,140,000
Supplemental Higher Education Loan Financing Program	95,000,000	0	0	0
Totals Non-Public Programs	$ 38,002,434,261	$ 18,576,955,536	$ 78,095,000	$ 18,655,050,536
Grand Totals Bonds and Notes	$ 94,679,837,297	$ 44,918,047,877	$ 78,095,000	$ 44,996,142,877

Outstanding Indebtedness of the Agency Assumed by the Authority

At December 31, 2011, the Agency had approximately $202.5 million aggregate principal amount of bonds outstanding, the obligations as to all of which have been assumed by the Authority. The debt service on each such issue of bonds is paid from moneys received by the Authority (as successor to the Agency) or the trustee from or on behalf of the entity having facilities financed with the proceeds from such issue.

The total amounts of the Agency's bonds (which indebtedness was assumed by the Authority on September 1, 1995) outstanding at December 31, 2011 were as follows:

Public Programs	**Bonds Issued**	**Bonds Outstanding**
Mental Health Services Improvement Facilities	$ 3,817,230,725	$ 0

Non-Public Programs	**Bonds Issued**	**Bonds Outstanding**
Hospital and Nursing Home Project Bond Program	$ 226,230,000	$ 2,035,000
Insured Mortgage Programs	6,625,079,927	197,035,000

Revenue Bonds, Secured Loan and Other Programs........	2,414,240,000	3,440,000
Total Non-Public Programs..	$ 9,265,549,927	$ 202,510,000
Total MCFFA Outstanding Debt.....................................	$ 13,082,780,652	$ 202,510,000

Governance

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

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

The current members of the Authority are as follows:

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

Alfonso L. Carney, Jr. was appointed as a Member of the Authority by the Governor on May 20, 2009. Mr. Carney is a principal of Rockwood Partners, LLC, which provides medical and legal consulting services in New York City. Consulting for the firm in 2005, he served as Acting Chief Operating Officer and Corporate Secretary for the Goldman Sachs Foundation in New York where, working with the President of the Foundation, he directed overall staff management of the foundation, and provided strategic oversight of the administration, communications and legal affairs teams, and developed selected foundation program initiatives. Prior to this, Mr. Carney held several positions with Altria Corporate Services, Inc., most recently as Vice President and Associate General Counsel for Corporate and Government Affairs. Prior to that, Mr. Carney served as Assistant Secretary of Philip Morris Companies Inc. and Corporate Secretary of Philip Morris Management Corp. For eight years, Mr. Carney was Senior International Counsel first for General Foods Corporation and later for Kraft Foods, Inc. and previously served as Trade Regulation Counsel, Assistant Litigation Counsel and Federal Government Relations Counsel for General Foods, where he began his legal career in 1975 as a Division Attorney. Mr. Carney is a trustee of Trinity College, the University of Virginia Law School Foundation, the Riverdale Country School and the Virginia Museum of Fine Arts in Richmond. In addition, he is a trustee of the Burke Rehabilitation Hospital in White Plains. Mr. Carney holds a Bachelors degree in Philosophy from Trinity College and a Juris Doctor degree from the University of Virginia School of Law. His current term expires on March 31, 2013.

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

John B. Johnson, Jr. was appointed as a Member of the Authority by the Governor on June 20, 2007. Mr. Johnson is Chairman of the Board and Chief Executive Officer of the Johnson Newspaper Corporation, which publishes the Watertown Daily Times, Batavia Daily News, Malone Telegram, Catskill Daily Mail, Hudson Register Star, Ogdensburg Journal, Massena-Potsdam Courier Observer, seven weekly newspapers and three shopping newspapers. He is director of the New York Newspapers Foundation, a member of the Development Authority of the North Country and the Fort Drum Regional Liaison Committee, a trustee of Clarkson University and president of the Bugbee Housing Development Corporation. Mr. Johnson has been a member of the American Society of Newspaper Editors since 1978, and was a Pulitzer Prize juror in 1978, 1979, 2001 and 2002. He holds a Bachelor's degree from Vanderbilt University, and Master's degrees in Journalism and Business Administration from the Columbia University Graduate School of Journalism and Business. Mr. Johnson was awarded an Honorary Doctor of Science degree from Clarkson University. Mr. Johnson's term expires on March 31, 2013.

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

Jacques Jiha was appointed as a Member of the Authority by the Governor on December 15, 2008. Mr. Jiha is the Executive Vice President/Chief Operating Officer & Chief Financial Officer of Earl G. Graves, Ltd/Black Enterprise, a multi-media company with properties in print, digital media, television, events and the internet. He is a member of the Investment Advisory Committee of the New York Common Retirement Fund and a member of the Board of Directors at Ronald McDonald House of New York. Previously, Mr. Jiha served as Deputy Comptroller for Pension Investment and Public Finance in the Office of the New York State Comptroller. As the state's chief investment officer, he managed the assets of the NY Common Retirement Fund, valued at $120 billion, and was also in charge of all activities related to the issuance of New York State general obligation bonds, bond anticipation notes, tax and revenue anticipation notes, and certificates of participation. Mr. Jiha was the Co-Executive Director of the New York State Local Government Assistance Corporation (LGAC) in charge of the sale of refunding bonds, the ratification of swap agreements, and the selection of financial advisors and underwriters. Prior thereto, Mr. Jiha was Nassau County Deputy Comptroller for Audits and Finances. He also worked for the New York City Office of the Comptroller in increasingly responsible positions: first as Chief Economist and later as Deputy Comptroller for Budget. Earlier, Mr. Jiha served as Executive Director of the New York State Legislative Tax Study Commission and as Principal Economist for the New York State Assembly Committee on Ways and Means. He holds a Ph.D. and a Master's degree in Economics from the New School University and a Bachelor's degree in Economics from Fordham University. His current term expired on March 31, 2011 and by law he continues to serve until a successor shall be chosen and qualified.

CHARLES G. MOERDLER, Esq., New York.

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

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

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

SANDRA M. SHAPARD, Delmar.

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

GERARD ROMSKI, Esq., Mount Kisco.

Mr. Romski was appointed as a Member of the Authority by the Temporary President of the State Senate on June 8, 2009. He is Counsel and Project Executive for "Arverne By The Sea," where he is responsible for advancing and overseeing all facets of "Arverne by the Sea," one of New York City's largest mixed-use developments located in Queens, NY. Mr. Romski is also of counsel to the New York City law firm of Bauman, Katz and Grill LLP. He formerly was a partner in the law firm of Ross & Cohen, LLP (now merged with Duane Morris, LLP) for twelve years, handling all aspects of real estate and construction law for various clients. He previously served as Assistant Division Chief for the New York City Law Department's Real Estate Litigation Division where he managed all aspects of litigation arising from real property owned by The City of New York. Mr. 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. Romski 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 20 years as a consulting structural engineer and a technology solutions provider. Mr. Curro is also an Adjunct Professor at Hudson Valley Community College and Bryant & Stratton College. He holds a Bachelor of Science in Civil Engineering from the University of Rhode Island, a Master of Engineering in Structural Engineering from Rensselaer Polytechnic Institute and a Master of Business Administration from Rensselaer Polytechnic Institute's Lally School of Management.

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

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

PART 9- 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 10- NEGOTIABLE INSTRUMENTS

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

PART 11- TAX MATTERS

Federal Income Taxes - Series 2012A Bonds

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

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

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

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

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

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

Federal Income Taxes - Series 2012B Bonds

The following discussion summarizes certain United States ("U.S.") federal tax considerations generally applicable to holders of the Series 2012B Bonds that acquire the Series 2012B Bonds in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, and any such change could have retroactive effect. Prospective investors should also note that no rulings have been or are expected to be sought from the Internal Revenue Service (the "IRS") with respect to any of the U.S. federal income tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with all U.S. federal income tax consequences applicable to any given investor, nor does it address the U.S. federal income tax considerations applicable to categories of investors some of which may be subject to special taxing rules (regardless of whether or not such persons constitute U.S. Holders), such as certain U.S. expatriates, financial institutions, real estate investment trusts, regulated investment companies, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, persons holding the Series 2012B Bonds as a hedge against currency risks or as a position in a "straddle" for tax purposes, or investors whose "functional currency" is not the U.S. dollar. Furthermore, it does not address (i) alternative minimum tax consequences or (ii) the indirect effects on persons who hold equity interests in a holder. In addition, this summary generally is limited to investors that acquire the Series 2012B Bonds pursuant to this initial offering for the issue price that is applicable to such Series 2012B Bonds (i.e., the price at which a substantial amount of the Series 2012B Bonds are sold to the public) and who will hold the Series 2012B Bonds as "capital assets" within the meaning of Section 1221 of the Code.

As used herein, "U.S. Holder" means a beneficial owner of a Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust).

As used herein, "Non-U.S. Holder" generally means a beneficial owner of a Bond (other than a partnership) that is not a U.S. Holder. If a partnership holds Series 2012B Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Series 2012B Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Series 2012B Bonds (including their status as U.S. Holders or Non-U.S. Holders).

U.S. Holders

Interest on Series 2012B Bonds. Payments of interest on the Series 2012B Bonds will be included in gross income for U.S. federal income tax purposes by a U.S. Holder as ordinary income at the time the interest is paid or accrued in accordance with the U.S. Holder's regular method of accounting for tax purposes, provided such interest is "qualified stated interest," as defined below.

Premium. If a U.S. Holder purchases a Series 2012B Bond for an amount that is greater than the sum of all amounts payable on such Bond after the purchase date, other than payments of qualified stated interest, such U.S. Holder will be considered to have purchased such Bond with "amortizable bond premium" equal in amount to such excess. A U.S. Holder may elect to amortize such premium using a constant yield method over the remaining term of such Series 2012B Bond and may offset interest otherwise required to be included in respect of such Series 2012B Bond during any taxable year by the amortized amount of such premium for the taxable year. Bond premium on a Series 2012B Bond held by a U.S. Holder that does not make such an election will decrease the amount of gain or decrease the amount of loss otherwise recognized on the disposition of such Series 2012B Bond. However, if a Series 2012B Bond may be optionally redeemed after the U.S. Holder acquires it at a price in excess of its stated redemption price at maturity, special rules will apply that could result in a deferral of the amortization of a portion of the bond premium until later in the term of such Series 2012B Bond (as discussed in more detail below). Any election to amortize bond premium applies to all taxable debt instruments acquired by the U.S. Holder on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the IRS.

The following rules apply to any Series 2012B Bond that may be optionally redeemed after the U.S. Holder acquires it at a price in excess of its stated redemption price at maturity. The amount of amortizable bond premium attributable to such Series 2012B Bond is equal to the lesser of (1) the difference between (A) such U.S. Holder's tax basis in the Series 2012B Bond and (B) the sum of all amounts payable on such Series 2012B Bond after the purchase date, other than payments of qualified stated interest or (2) the difference between (X) such U.S. Holder's tax basis in such Series 2012B Bond and (Y) the sum of all amounts payable on such Series 2012B Bond after the purchase date due on or before the early call date, described below, other than payments of qualified stated interest. If a Series 2012B Bond may be redeemed on more than one date prior to maturity, the early call date and amount payable on the early call date that produces the lowest amount of amortizable bond premium, is the early call date and amount payable that is initially used for purposes of calculating the amount pursuant to clause (2) of the previous sentence. If an early call date is not taken into account in computing premium amortization and the early call is in fact exercised, a U.S. Holder will be allowed a deduction for the excess of the U.S. Holder's tax basis in the Series 2012B Bond over the amount realized pursuant to the redemption. If an early call date is taken into account in computing premium amortization and the early call is not exercised, the Series 2012B Bond will be treated as "reissued" on such early call date for the call price. Following the deemed reissuance, the amount of amortizable bond premium is recalculated pursuant to the rules of this section "Premium." The rules relating to Series 2012B Bond that may be optionally redeemed are complex and, accordingly, prospective purchasers are urged to consult their own tax advisors regarding the application of the amortizable bond premium rules to their particular situation.

Disposition of Series 2012B Bonds. Except as discussed above, upon the sale, exchange, redemption or retirement of a Series 2012B Bond, a U.S. Holder generally will recognize taxable gain or loss equal to the difference between the amount realized on the sale, exchange, redemption or retirement (other than amounts representing accrued and unpaid interest) of such Series 2012B Bond and such U.S. Holder's adjusted tax basis in such Series 2012B Bond. A U.S. Holder's adjusted tax basis in a Series 2012B Bond generally will equal such U.S.

Holder's initial investment in the Bond increased by accrued market discount, if any, if the U.S. Holder has included such market discount in income, and decreased by the amount of any payments, other than qualified stated interest payments, received and amortizable bond premium taken with respect to such Bond. Such gain or loss generally will be long-term capital gain or loss if the Series 2012B Bond has been held by the U.S. Holder at the time of disposition for more than one year. If the U.S. holder is an individual, long-term capital gain will be subject to reduced rates of taxation. The deductibility of capital losses is subject to certain limitations.

Non-U.S. Holders

A Non-U.S. Holder who is an individual or corporation (or an entity treated as a corporation for U.S. federal income tax purposes) holding Series 2012B Bonds on its own behalf will not be subject to U.S. federal income tax on payments of principal of, or premium (if any), or interest (including original issue discount, if any) on Series 2012B Bonds, unless the Non-U.S. Holder is a bank receiving interest described in Section 881(c)(3)(A) of the Code. To qualify for the exemption from taxation, the Withholding Agent, as defined below, must have received a statement from the individual or corporation that:

- is signed under penalties of perjury by the beneficial owner of the Series 2012B Bonds,
- certifies that the owner is not a U.S. holder, and
- provides the beneficial owner's name and permanent residence address.

A "Withholding Agent" is the last U.S. payor (or non-U.S. payor who is a qualified intermediary, U.S. branch of a foreign person or withholding foreign partnership) in the chain of payment prior to payment to a non-U.S. holder (which itself is not a Withholding Agent). Generally, this statement is made on an IRS Form W-8BEN ("W-8BEN"), which is effective for the remainder of the year of signature plus three full calendar years thereafter, unless a change in circumstances makes any information on the form incorrect. Notwithstanding the preceding sentence, a Form W-8BEN with a U.S. taxpayer identification number will remain effective until a change in circumstances makes any information on the form incorrect, provided the Withholding Agent reports at least annually to the beneficial owner on IRS Form 1042-S. The beneficial owner must inform the Withholding Agent within 30 days of any change and furnish a new Form W-8BEN. A Non-U.S. Holder that is not an individual or corporation (or an entity treated as a corporation for U.S. federal income tax purposes) holding Series 2012B Bonds on its own behalf may have substantially increased reporting requirements. In particular, in the case of Series 2012B Bonds held by a foreign partnership or foreign trust, the partners or beneficiaries rather than the partnership or trust will be required to provide the certification discussed above, and the partnership or trust will be required to provide certain additional information.

A Non-U.S. Holder of Series 2012B Bonds whose income from such Series 2012B Bonds is effectively connected with the conduct of a U.S. trade or business generally will be taxed as if the holder were a U.S. Holder, provided the holder furnishes to the Withholding Agent a Form W-8ECI.

Certain securities clearing organizations, and other entities that are not beneficial owners may be able to provide a signed statement to the Withholding Agent. In that case, however, the signed statement may require a copy of the beneficial owner's Form W-8BEN (or substitute form).

Generally, a Non-U.S. Holder will not be subject to U.S. federal income tax on any amount that constitutes capital gain upon retirement or disposition of Series 2012B Bonds, unless the Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of the retirement or disposition of such Series 2012B Bonds, and that gain is derived from sources within the United States. Certain other exceptions may apply, and a Non-U.S. Holder in these circumstances should consult his tax advisor.

Series 2012B Bonds will not be includible in the estate of a Non-U.S. Holder unless, at the time of the decedent's death, income from such Series 2012B Bonds was effectively connected with the conduct by the decedent of a trade or business in the United States.

Information Reporting and Backup Withholding

Backup withholding of U.S. federal income tax may apply to payments made in respect of the Series 2012B Bonds to registered owners who are not "exempt recipients" and who fail to provide certain identifying information (such as the registered owner's taxpayer identification number) in the required manner. Generally, individuals are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients. Payments made in respect of the Series 2012B Bonds to a U.S. Holder must be reported to the IRS, unless U.S. Holder is an exempt recipient or establishes an exemption. Compliance with the identification procedures described in the preceding section would establish an exemption from backup withholding for those Non-U.S. Holders who are not exempt recipients.

In addition, upon the sale of a Series 2012B Bond to (or through a broker, the broker must report the sale and withhold the entire purchase price, unless either (i) the broker determines that the seller is a corporation or other exempt recipient or (ii) the seller certifies that such seller is a Non-U.S. Holder (and certain other conditions are met). Certification of the registered owner's Non-U.S. status would be made normally on an IRS Form W-8BEN under penalties of perjury, although in certain cases it may be possible to submit other documentary evidence.

Defeasance

Under the terms of the Indenture, the Series 2012B Bonds may be legally defeased prior to their stated maturity. Prospective purchasers of Series 2012B Bonds should be aware that, for U.S. federal income tax purposes, any such legal defeasance will be treated as a taxable exchange of such Series 2012B Bonds on which gain or loss, if any, will be recognized without any corresponding receipt of cash. In addition, after a legal defeasance, the timing and character of amounts includable in gross income by a holder of Series 2012B Bonds could differ from the timing and character of the amounts that would have been includible in gross income in respect of such Series 2012B Bonds had the legal defeasance not occurred Prospective purchasers of the Series 2012B Bonds should consult their own tax advisors with respect to the more detailed consequences to them of a legal defeasance, including the applicability and effect of tax laws other than U.S. federal income tax laws.

IRS Circular 230 Disclosure - Series 2012B Bonds

The advice under this TAX MATTERS section concerning certain federal income tax consequences of the acquisition, ownership and disposition of the Series 2012B Bonds, was written to support the marketing of the Series 2012B Bonds. To ensure compliance with requirements imposed by the Internal Revenue Service, Bond Counsel informs you that (i) any federal tax advice contained in this Official Statement (including any Appendices) or in writings furnished by Bond Counsel is not intended to be used, and cannot be used by any bondholder, for the purpose of avoiding penalties that may be imposed on the bondholder under the Code, and (ii) each bondholder should seek advice based on such bondholder's particular circumstances from an independent tax advisor.

State and Local Income Tax - Series 2012 Bonds

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

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

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

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

Other Considerations - Series 2012 Bonds

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

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

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

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

PART 12- STATE NOT LIABLE ON THE SERIES 2012 BONDS

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

PART 13- COVENANT BY THE STATE

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

PART 14- LEGAL MATTERS

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

Certain legal matters will be passed upon for the Institution by its counsel, Nixon Peabody LLP, and for the Underwriter by its counsel, Cozen O'Connor, New York, New York.

There is not now pending any litigation restraining or enjoining the issuance or delivery of the Series 2012 Bonds or questioning or affecting the validity of the Series 2012 Bonds or the proceedings and authority under which they are to be issued. There is no litigation pending which in any manner questions the right of the Authority to finance the Project in accordance with the provisions of the Act, the Resolutions and the Loan Agreement.

PART 15- RATINGS

The Series 2012 Bonds are rated "Aa1" and "AA-", respectively, by Moody's Investors Service Inc. and Fitch Ratings. An explanation of the significance of such rating should be obtained from the rating agency furnishing the same. The credit rating reflects only the view of such credit agency, and an explanation of the significance of the credit rating may be obtained from the respective rating agency. There is no assurance that such ratings will prevail for any given period of time or that they will not be changed or withdrawn by such rating agencies if, in their judgment, 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 16- UNDERWRITING

The Underwriter has agreed, subject to certain conditions, to purchase the Series 2012 Bonds from the Authority and to make a public offering of the Series 2012A Bonds at prices that are not in excess of the public offering prices. The purchase price (a) for the Series 2012A Bonds shall be $6,279,834.65, which represents the par amount of the Series 2012A Bonds plus the original issue premium of $389,834.65, and (b) for the Series 2012B Bonds shall be $285,000, which represents the par amount of the Series 2012B Bonds. Upon the Closing of the Series 2012 Bonds, the Authority shall cause the Trustee to wire to the Underwriter an aggregate underwriting fee in the amount of $177,719.28. The Underwriter will be obligated to purchase all such Series 2012 Bonds if any are purchased. The Underwriter has entered into an agreement (the "Distribution Agreement") with TD Ameritrade, Inc. for the retail distribution of certain municipal securities offerings at the original issue price.

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 Underwriters.

PART 17- CONTINUING DISCLOSURE

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

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

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

The Annual Information will consist of: (1) operating data and financial information of the type included in the Official Statement unless such information is included in the audited financial statements of the Institution; together with (2) a narrative explanation, if necessary to avoid misunderstanding regarding the presentation of financial and operating data concerning the Institution and in judging the financial and operating condition of the Institution.

The Notices include notices of any of the following events (the "Notice Events") with respect to the Series 2012 Bonds, if material: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices and determinations or events affecting the tax-exempt status of the Series 2012 Bonds; (7) modifications to the rights of holders of the Series 2012 Bonds, if material; (8) bond calls, if material; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Series 2012 Bonds, if material; (11) rating changes; (12) tender offers; (13) Bankruptcy, insolvency, receivership or similar event of the Institution; (14) consummation of a merger, consolidation or acquisition involving the Institution or the sale of all or substantially all of the assets of the Institution, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (15) appointment of a successor or additional trustee, or the change of name of a trustee, if material; and (16) failure to provide annual financial information as required. In addition, DAC will undertake to provide to the

MSRB, in a timely manner, notice of any failure by the Institution to provide the Annual Information and annual financial statements by the date required in the Institution's undertaking described above.

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

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

PART 18- MISCELLANEOUS

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

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

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

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

The information regarding SONYMA and the SONYMA Mortgage Insurance Policy has been furnished by SONYMA. No representation is made herein by the Authority, the Institution or the Underwriters as to the accuracy and adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof. Neither the Authority, the Institution nor the Underwriters have made any independent investigation of SONYMA or the SONYMA Mortgage Insurance Policy.

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

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

The financial statements of the Institution for the years ended December 31, 2010 and December 31, 2009 included in Appendix B-1 have been audited by TCBA Watson Rice, independent auditors, as indicated in their report therein.

The Institution has reviewed the parts of this Official Statement describing the Institution, the Refunding Plan, Principal and Interest Requirements for the Series 2012 Bonds, the Estimated Sources and Uses of Funds and "Appendix B-1 - Audited Financial Statements (Together with Independent Auditor's Report) of Ryan/Chelsea-Clinton Community Health Center, Inc. for the Years Ended December 31, 2010 and 2009" and "Appendix B-2 Unaudited Financial Statements of Ryan/Chelsea-Clinton Community Health Center, Inc. as of and for the Eleven-Month Periods Ended November 30, 2011 and 2010". The Institution will certify as of the dates of sale and delivery of the Series 2012 Bonds that such parts do not contain any untrue statements of a material fact and do not omit any material fact necessary in order to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading.

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

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

DORMITORY AUTHORITY OF
THE STATE OF NEW YORK

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

DEFINITIONS

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CERTAIN DEFINITIONS

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

Act means the Dormitory Authority Act (being Chapter 524 of the Laws of 1944 of the State of New York, as amended, and constituting Title 4 of Article 8 of the Public Authorities Law, as amended) as amended from time to time, including, but not limited to the Health Care Financing Consolidation Act being Chapter 83 of the Laws of 1995 of the State of New York, constituting Title 4-B of Article 8 of the Public Authorities Law, as amended and, as incorporated thereby, the New York State Medical Care Facilities Finance Agency Act being Chapter 392 of the Laws of 1973 of the State of New York, as amended.

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

Annual Administrative Fee means the annual fee for the general administrative expenses of the Authority in the amount or percentage stated in the Loan Agreement.

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

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

Authority Fee means a fee payable to the Authority in connection with the issuance of a Series of Bonds and the financing and construction of the Project in an amount and payable as set forth in 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 Secretary, any Assistant Secretary, the Treasurer, any Assistant Treasurer, the Executive Director and President, the Deputy Executive Director and Vice President, Chief Financial Officer, Managing Director of Public Finance and Portfolio Monitoring, Managing Director of Construction, Managing Director, Construction and Metro New York Operations, General Counsel, and when used with reference to any act or document also means any other person authorized by a resolution or the by-laws of the Authority to perform such act or execute such document; (ii) in the case of the Institution, the person or persons authorized by a resolution or the by-laws of the Institution to perform any act or execute any document; (iii) in the case of SONYMA, the person or persons authorized by a resolution of SONYMA to perform any act or execute any document; and (iv) in the case of the Trustee, the President, a Vice President, an Assistant Vice President, a Corporate Trust Officer, a Trust Officer or an Assistant Trust Officer of the Trustee, and when used with reference to any act or document also means any other person authorized to perform any act or sign any document by or pursuant to a resolution of the Board of Directors of the Trustee or the by-laws of the Trustee.

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

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

Bondowner, Owner of Bonds, Holder or **Owner** or any similar term, when used with reference to a Bond or Bonds, means the registered owner of any Outstanding Bonds.

Bond Series Certificate means the certificate of the Authority fixing terms, conditions and other details of a Series of Bonds in accordance with the delegation of power to do so hereunder.

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

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

Business Day shall mean any day other than a Saturday, Sunday or a legal holiday in the State or a day on which either the Authority or the Trustee is authorized or permitted by law to remain closed.

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

Commissioner means the Commissioner of Health of the State of New York.

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

Cost or Costs of Issuance means the items of expense incurred in connection with the authorization, sale and issuance of the Bonds, which items of expense shall include, but not be limited to, document printing and reproduction costs, filing and recording fees, costs of credit ratings, initial fees and charges of the Trustee, legal fees and charges, professional consultants' fees, fees and charges for the execution, transportation and safekeeping of the Bonds, premiums, fees and charges for the SONYMA Insurance Policy, and other costs, charges and fees, including those of the Authority, in connection with the foregoing.

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

Credit Facility means an irrevocable 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 a Series of Bonds whether or not the Authority is in default under the Resolution, which is issued or provided by:

(i) a bank, a trust company, a national banking association, an organization subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank or a saving and loan association;

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

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

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

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

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

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

Debt Service Reserve Fund Requirement means, unless otherwise provided in a Series Resolution or Bond Series Certificate, as of any particular date of computation, with respect to any Series of Bonds, an amount equal to the lesser of (i) one-third of the greatest amount required in the then current or any future Bond Year to pay the sum of interest on such Series of Outstanding Bonds payable during such Bond Year (excluding the interest accrued on such Bonds prior to July 1 of the next preceding year), and the principal and Sinking Fund Installments of such Series of Outstanding Bonds payable on or prior to July 1 of such Bond Year, or (ii) an amount equal to ten percent (10%) of the net proceeds of the sale of such Series of Bonds, or (iii) an amount equal to 125% of the average of the principal, whether at maturity or on mandatory redemption, and interest becoming due in any one calendar year on such Series of Outstanding Bonds; except as otherwise provided in a Series Resolution or a Bond Series Certificate.

Defeasance Security means any of the following:

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

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

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

provided, however, that (1) such term shall not include any interest in a unit investment trust or mutual fund or (2) any obligation that is subject to redemption prior to maturity other than at the option of the holder thereof.

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

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

Excess Earnings means, with respect to the Bonds, (i) the amount by which the earnings on the Gross Proceeds of such Bonds exceeds the amount which would have been earned thereon if such Gross Proceeds were invested at a yield equal to the yield on such Bonds, as such yield is determined in accordance with the Code, and (ii) amounts earned on the investment of such excess.

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 hereunder, is rated, without regard to qualification of such rating by symbols such as "+" or "–" and numerical notation, no lower than the second highest rating category for such obligation by at least two nationally recognized statistical Rating Services provided that if the Bonds are then rated, such Rating Services shall include all the Rating Services then rating the Bonds;

(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 obligations described in clause (i) above and whose objective is to maintain a constant share value of one dollar ($1.00).

Facility Provider means the issuer of any Reserve Fund Facility.

Federal Agency Obligation means:

(i) an obligation issued, or fully insured or guaranteed as to payment by any agency or instrumentality of the United States of America, which, at the time an investment therein is made or such obligation is deposited in any fund or account hereunder, is rated, without regard to qualification of such rating by symbols such as "+" or "–" and numerical notation, no lower than in the second highest rating category for such obligation by at least two Rating Services provided that if the Bonds are then rated, such Rating Service shall include all the Rating Services then rating the Bonds;

(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 obligations;

(iii) a share or interest in a mutual fund, partnership or other fund wholly comprised of any of the foregoing obligations and whose objective is to maintain a constant share value of one dollar ($1.00);

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

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

Government Obligation means any of the following:

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

(ii) an obligation fully insured or guaranteed as to payment by the United States of America;

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

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

(v) a share or interest in a mutual fund, partnership or other fund wholly comprised of any of the foregoing obligation and whose objective is to maintain a constant share value of one dollar ($1.00).

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

Gross Proceeds means, with respect to a Series of Bonds, unless inconsistent with the provisions of the Code, (i) amounts received by the Authority from the sale of such Bonds (other than amounts used to pay underwriters' fees and other expenses of issuing such Bonds), (ii) amounts treated as transferred proceeds of such Bonds in accordance with the Code, (iii) amounts treated as proceeds under the provisions of the Code relating to invested sinking funds, (iv) amounts in the Debt Service Reserve Fund, (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 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 Bonds as such yield is determined in accordance with the Code.

Gross Receipts means all revenues received by the Institution from the operations of the Project, all the proceeds, product, offspring, rents and profits of the Project and all other income available to the Institution from any other source, all proceeds of insurance available to the Institution pursuant to Section 23 of the Loan Agreement and all present and future accounts, contracts and agreements (including, particularly, the contracts and agreements between the Institution and any third party payor, proceeds from the sale of general intangibles, documents, instruments and inventory and all proceeds from any thereof owned, leased or used by the Institution in the conduct of all or any part of its business operated in all the Institution's facilities, all investment income, gifts, bequests, contributions, grants, and donations and all supporting evidence and documents relating to any of the above described property, including without limitation, payment records, correspondence, together with all books of account, ledgers and cabinets in which the same are reflected or maintained, all whether now existing or hereafter arising, excluding only grants, gifts, bequests, contributions and other donations and any income derived therefrom to the extent specifically restricted by the donor or grantor to a special object or purpose inconsistent with the payments under the Loan Agreement or the Mortgage).

Institution means Ryan/Chelsea-Clinton Community Health Center, Inc., a not-for-profit corporation organized and existing under the laws of the State, or any successor thereto as permitted by the Loan Agreement.

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

Loan Agreement means the Loan Agreement, dated as of January 25, 2012, by and between the Authority and the Institution in connection with the issuance of the Bonds, as the same may from time to time be amended, supplemented or otherwise modified as permitted hereby and by the Loan Agreement.

Mortgage means the 1999 Mortgage as modified by the Mortgage Modification Agreement in connection with the issuance of the Bonds, in form and substance satisfactory to the Authority, on the Mortgaged Property mortgaged in connection therewith, as security for the performance of the Institution's obligations under Loan Agreement as such Mortgage may be amended or modified as provided in Section 13 of the Loan Agreement.

Mortgage Modification Agreement means that certain agreement between the Institution and the Authority entered into in connection with the issuance of the Series 2012 Bonds modifying the 1999 Mortgage.

Mortgaged Property means the land described in the Mortgage and the buildings and improvements thereon or hereafter erected thereon, and the fixtures, furnishings and equipment owned by the Institution and now or hereafter located therein or thereon, provided that the Authority may, in accordance with the SONYMA Insurance Policy, consent to the exclusion, release or subordination of the Authority's interest in certain of such property.

1999 Mortgage means that certain mortgage dated as of January 13, 2000 granted by the Institution to the Authority in connection with the issuance of the Refunded Bonds.

1999 Project means the project financed with the Refunded Bonds.

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

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

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

(iii) commercial paper that (a) matures within two hundred seventy (270) days after its date of issuance, (b) is rated in the highest short term rating category by each Rating Service then rating the Bonds 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; and

(iv) financial guaranty agreements, surety or other similar bonds or other instruments of an insurance company that has an equity capital of at least $125,000,000 and is rated by Bests Insurance Guide or each Rating Service then rating the Bonds in the highest rating category.

Permitted Encumbrances means

(i) the Loan Agreement;

(ii) the Resolution;

(iii) the Mortgage;

(iv) any instrument recorded pursuant to Section 21 of the Loan Agreement;

(v) other encumbrances or matters approved in writing by the Authority, the Department of Health and SONYMA; and

(vi) those matters referred to in any title insurance policy described in Section 14 of the Loan Agreement and accepted by the Authority and by SONYMA recorded pursuant to Section 21 of the Loan Agreement.

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 with a short-term rating no lower than “A–1” by Standard & Poor’s Rating Services and “P–1” by Moody’s Investors Service, Inc.;

(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 of credit, contract, agreement or surety bond issued by it, are, at the time an investment therein is made or the same is deposit in any fund or account under the Resolution, rated by at least one Rating Service in at least the second highest rating category provided that if the Bonds are then rated, such Rating Service shall include all the Rating Services then rating the Bonds, and (b) are fully collateralized by Permitted Collateral;

(vi) Investment Agreements that are fully collateralized by Permitted Collateral; and

(vii) to the extent any of the following constitute permitted investments under the “Investment Policy and Guidelines” of the Authority in effect at the time an investment is made:

(1) commercial paper that (a) matures within two hundred seventy (270) days after its date of issuance, (b) at the time an investment therein is made or the same is deposited in any fund or account under the Resolution, is rated in the highest short term rating category by at least two Rating Services provided that if the Bonds are then rated, such Rating Services shall include all the Rating Services then rating the Bonds and (c) is issued by a domestic corporation whose unsecured senior debt is rated by at least two Rating Services no lower than their respective highest short-term rating;

(2) an uncollateralized, unsecured certificate of deposit, time deposit or bankers’ acceptance that (A) has a maturity of not more than three hundred sixty–five (365) days and (B) is issued by or are of or with a bank the short term obligations of which are, at the time an investment in such certificate of deposit, time deposit or bankers’ acceptance is made or the same is deposited in any fund or account under the Resolution, rated “A–1” by Standard & Poor’s Rating Services and “P–1” by Moody’s Investors Service, Inc.; and

(3) shares or an interest in any other mutual fund, partnership or other fund whose objective is to maintain a constant share value of one dollar ($1.00) and that, at the time an investment therein is made or the same is deposited in any fund or account under the Resolution, are rated at least “AAm” or “AAm–G” by Standard & Poor’s Rating Services and “Aa1” by Moody’s Investors Service, Inc.

Project means a “dormitory” as defined in the Act, which may include more than one part, financed in whole or in part from the proceeds of the sale of the Bonds, as more particularly described in the applicable exhibit to the applicable Loan Agreement.

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

(i) a securities dealer, the liquidation of which is subject to the Securities Investors Protection Corporation or other similar corporation, and (a) that is on the Federal Reserve Bank of New York list of primary government securities dealers and (b) whose senior unsecured long term debt is at the time an investment with it is made is rated by at least one 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;

(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;

(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;

(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 hereunder purchased from such corporation, are insured by an insurer that meets the applicable rating requirements set forth above.

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

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

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

Refunded Bonds means the Dormitory Authority of the State of New York Ryan/Clinton Community Health Center, Inc. Revenue Bonds, Series 1999.

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

Reserve Fund Facility means a surety bond, insurance policy, 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 of all or a portion of the moneys otherwise required to be held in such Debt Service Reserve Fund.

Resolution means Ryan/Chelsea-Clinton Community Health Center, Inc. Revenue Bond Resolution, adopted by the members of the Authority on January 25, 2012, as the same may be from time to time amended or supplemented by Supplemental Resolutions or Series Resolutions in accordance with the terms and provisions thereof.

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

2012 Project means (i) the refunding of the Refunded Bonds; (ii) the funding of the Debt Service Reserve Fund in an amount equal to the Debt Service Reserve Fund Requirement for the Series 2012 Bonds; and (iii) paying the Costs of Issuance of the 2012 Bonds.

Securities means, except as may be provided in the Series Resolution, (i) cash, (ii) Government Obligations, (iii) Exempt Obligations, (iv) interest-bearing time deposits, certificates of deposit or other similar investment arrangements, provided, that all moneys in each such interest-bearing time deposit, certificate of deposit or other similar investment arrangement shall be continuously and fully insured by the Federal Deposit Insurance Corporation, or (v) Investment Agreements.

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

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

Series 2012A Bonds means the Bonds designated "Dormitory Authority of the State of New York Ryan/Chelsea-Clinton Community Health Center, Inc. Revenue Bonds, Series 2012A (Tax-Exempt) authorized to be issued pursuant to the Resolution and the Series 2012A Resolution in an aggregate principal amount not to exceed $7,000,000.

Series 2012B Bonds means the Bonds designated "Dormitory Authority of the State of New York Ryan/Chelsea-Clinton Community Health Center, Inc. Revenue Bonds, Series 2012B (Federally Taxable) authorized to be issued pursuant to the Resolution and the Series 2012B Resolution in an aggregate principal amount not to exceed $7,000,000.

Series 2012 Bonds means, collectively, the Series 2012A Bonds and the Series 2012B Bonds.

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

Series 2012A Resolution means the Series Resolution Authorizing Up To $7,000,000 Ryan/Chelsea-Clinton Community Health Center, Inc. Revenue Bonds, Series 2012A (Tax-Exempt).

Series 2012B Resolution means the Series Resolution Authorizing Up To $7,000,000 Ryan/Chelsea-Clinton Community Health Center, Inc. Revenue Bonds, Series 2012B (Federally Taxable).

Sinking Fund Installment means, with respect to a Series of Bonds, as of any date of calculation and with respect to such Bonds, so long as any such Bonds thereof are Outstanding, the amount of money required by a Series Resolution or by the applicable Bond Series Certificate, to be paid on a single future July 1 for the retirement of any Outstanding Bonds 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.

SONYMA means the State of New York Mortgage Agency, a corporate governmental agency of the State, constituting a political subdivision and public benefit corporation established under the SONYMA Act, or any successor thereto.

SONYMA Act means the State of New York Mortgage Agency Act, constituting Chapter 612 of the Laws of New York, 1970, as amended.

SONYMA Insurance Policy means the mortgage insurance policy authorized pursuant to the SONYMA Act issued in connection with the issuance of the Refunded Bonds, as amended in connection with the issuance of the Bonds, which shall insure the payments due pursuant to the Loan Agreement secured by the Mortgage.

State means the State of New York;

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

Tax Certificate means the certificate of the Authority, including the appendices, schedules and exhibits thereto, executed by an Authorized Officer in connection with the issuance of a Series of Tax-Exempt Bonds and in which the Authority makes representations and agreements as to arbitrage and compliance with the provisions of Sections 141 through 150, inclusive, of the Internal Revenue Code of 1986, or any similar certificate, agreement or other instrument made, executed and delivered in lieu of said certificate, in each case as the same may be amended or supplemented.

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

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

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

Undertaking means that certain agreement to provide continuing disclosure, by and among the Authority, the Institution and the Trustee.

AUDITED FINANCIAL STATEMENTS AND AUDITOR'S REPORT OF RYAN/CHELSEA-CLINTON COMMUNITY HEALTH CENTER, INC. FOR THE YEARS ENDED DECEMBER 31, 2010 AND DECEMBER 31, 2009

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RYAN/CHELSEA-CLINTON COMMUNITY HEALTH CENTER, INC.

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

TCBA WATSON RICE LLP
CERTIFIED PUBLIC ACCOUNTANTS

RYAN/CHELSEA-CLINTON COMMUNITY HEALTH CENTER, INC.
DECEMBER 31, 2010 AND 2009

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Ryan/Chelsea-Clinton Community Health Center, Inc.

We have audited the accompanying balance sheets of Ryan/Chelsea-Clinton Community Health Center, Inc. (the "Center") as of December 31, 2010 and 2009, and the related statements of operations, changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ryan/Chelsea-Clinton Community Health Center, Inc. as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

TCBA Watson Rice LLP

New York, New York
June 7, 2011

RYAN/CHELSEA-CLINTON COMMUNITY HEALTH CENTER, INC.
BALANCE SHEETS
DECEMBER 31, 2010 AND 2009

	2010	2009
Assets		
Current Assets		
Cash	$ 196,523	$ 1,579,900
Restricted cash (Notes 3, 6, 7 and 8)	274,874	721,365
Debt service fund (Notes 3, 6, 8 and 13)	546,391	546,500
Patient services receivable - net (Note 4)	2,147,721	1,417,244
Contracts receivable (Note 5)	98,967	416,852
Prepaid expenses and other current assets	74,031	106,189
Total Current Assets	3,338,507	4,788,050
Property and Equipment - Net (Note 6)	9,841,596	10,314,793
Debt Service Reserve Fund (Notes 3 and 8)	551,867	551,867
Construction Fund (Notes 3 and 8)	143,437	136,875
Deferred Bond Fees - Net	190,863	233,276
Total Assets	$ 14,066,270	$ 16,024,861
Liabilities and Net Asset Deficiency		
Current Liabilities		
Accounts payable and accrued expenses	$ 789,409	$ 869,269
Accrued interest (Note 13)	225,548	244,000
Accrued compensation	457,401	463,053
Current portion of loan payable (Note 7)	38,376	36,781
Current maturities of bonds payable (Notes 8 and 13)	640,000	605,000
Total Current Liabilities	2,150,734	2,218,103
Long-term Liabilities		
Loan payable (Note 7)	1,051,848	1,090,224
Bonds payable - net (Notes 8 and 13)	6,685,613	7,310,193
Due to related parties (Note 12)	7,179,169	8,064,651
Subvention certificate payable (Note 12)	1,600,000	1,600,000
Total Liabilities	18,667,364	20,283,171
Net Asset Deficiency		
Net asset deficiency	(4,601,094)	(4,258,310)
Total Liabilities and Net Asset Deficiency	$ 14,066,270	$ 16,024,861

See notes to financial statements.

RYAN/CHELSEA-CLINTON COMMUNITY HEALTH CENTER, INC.
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSET DEFICIENCY
YEAR ENDED DECEMBER 31, 2010

	Unrestricted	Temporarily Restricted	Total
Revenues			
Patient services - net (Note 9)	$ 6,751,160	$ -	$ 6,751,160
Grants and contract services (Notes 10 and 12)	1,737,798	-	1,737,798
Fundraising - net of $60,719 expenses	53,729	-	53,729
Other	120,235	-	120,235
Total Revenues	8,662,922	-	8,662,922
Expenses			
Salaries and benefits	4,629,517	-	4,629,517
Other than personnel services	3,204,680	-	3,204,680
Interest	512,870	-	512,870
Provision for doubtful accounts	77,648	-	77,648
Total Expenses	8,424,715	-	8,424,715
Operating Income Prior to Depreciation and Amortization	238,207	-	238,207
Depreciation and amortization	580,991	-	580,991
Changes in Net Assets	(342,784)	-	(342,784)
Net Asset Deficiency, Beginning of Year	(4,258,310)	-	(4,258,310)
Net Asset Deficiency, End of Year	$ (4,601,094)	$ -	$ (4,601,094)

See notes to financial statements.

RYAN/CHELSEA-CLINTON COMMUNITY HEALTH CENTER, INC.
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSET DEFICIENCY
YEAR ENDED DECEMBER 31, 2009

	Unrestricted	Temporarily Restricted	Total
Revenues			
Patient services - net (Note 9)	$ 6,839,425	$ -	$ 6,839,425
Grants and contract services (Notes 10 and 12)	1,661,923	-	1,661,923
Other	118,977	-	118,977
Net assets released from restrictions	65,526	(65,526)	-
Total Revenues	8,685,851	(65,526)	8,620,325
Expenses			
Salaries and benefits	4,867,898	-	4,867,898
Other than personnel services	3,235,603	-	3,235,603
Interest	511,692	-	511,692
Provision for doubtful accounts	34,410	-	34,410
Total Expenses	8,649,603	-	8,649,603
Operating Income/(Loss) Prior to Depreciation and Amortization	36,248	(65,526)	(29,278)
Depreciation and amortization	437,688	-	437,688
Changes in Net Assets	(401,440)	(65,526)	(466,966)
Net Asset Deficiency, Beginning of Year	(3,856,870)	65,526	(3,791,344)
Net Asset Deficiency, End of Year	$ (4,258,310)	$ -	$ (4,258,310)

See notes to financial statements.

RYAN/CHELSEA-CLINTON COMMUNITY HEALTH CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2010

	Program Services	General and Administrative	Total
Salaries and wages	$ 2,974,319	$ 582,981	$ 3,557,300
Fringe benefits	874,702	197,515	1,072,217
Consultants and contractual services	586,226	875,705	1,461,931
Professional fees	-	78,700	78,700
Supplies	293,789	165,257	459,046
Pharmaceuticals	82,967	-	82,967
Laboratory	133,888	-	133,888
Equipment rental and maintenance	115,387	28,847	144,234
Occupancy	130,031	32,508	162,539
Insurance	32,819	19,308	52,127
Telephone	50,129	29,440	79,569
Travel, conferences and meetings	31,631	30,739	62,370
Dues and subscriptions	10,479	6,154	16,633
Printing, publications and postage	10,767	6,193	16,960
Interest	410,296	102,574	512,870
Personnel recruitment	41,276	24,241	65,517
Data processing	147,986	86,912	234,898
Bank fees	-	10,521	10,521
Provision for doubtful accounts	77,648	-	77,648
Bond fees	37,002	9,250	46,252
Other	6,442	90,086	96,528
	6,047,784	2,376,931	8,424,715
Depreciation and amortization	464,793	116,198	580,991
	$ 6,512,577	$ 2,493,129	$ 9,005,706

See notes to financial statements.

RYAN/CHELSEA-CLINTON COMMUNITY HEALTH CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2009

	Program Services	General and Administrative	Total
Salaries and wages	$ 2,976,273	$ 766,505	$ 3,742,778
Fringe benefits	872,320	252,800	1,125,120
Consultants and contractual services	586,527	840,881	1,427,408
Professional fees	4,259	96,088	100,347
Supplies	303,815	170,897	474,712
Pharmaceuticals	170,992	-	170,992
Laboratory	200,197	-	200,197
Equipment rental and maintenance	65,122	16,281	81,403
Occupancy	123,974	30,993	154,967
Insurance	36,106	15,475	51,581
Telephone	43,067	25,294	68,361
Travel, conferences and meetings	42,605	21,420	64,025
Dues and subscriptions	16,903	9,927	26,830
Printing, publications and postage	12,490	6,406	18,896
Interest	409,353	102,339	511,692
Personnel recruitment	84,556	49,660	134,216
Data processing	52,566	30,872	83,438
Bank fees	-	10,785	10,785
Provision for doubtful accounts	34,410	-	34,410
Bond fees	48,813	12,203	61,016
Other	11,469	94,960	106,429
	6,095,817	2,553,786	8,649,603
Depreciation and amortization	350,150	87,538	437,688
	$ 6,445,967	$ 2,641,324	$ 9,087,291

See notes to financial statements.

RYAN/CHELSEA-CLINTON COMMUNITY HEALTH CENTER, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
Cash Flows from Operating Activities		
Changes in net assets	$ (342,784)	$ (466,966)
Adjustments to reconcile changes in net assets to net cash (used in)/provided by operating activities:		
Depreciation and amortization	580,991	437,688
Provision for doubtful accounts	77,648	34,410
(Increase)/decrease in operating assets:		
Patient services receivable	(808,125)	318,385
Contracts receivable	317,885	235,832
Prepaid expenses and other current assets	32,158	(22,471)
Increase/(decrease) in operating liabilities:		
Accounts payable and accrued expenses	(79,860)	15,611
Accrued interest	(18,452)	(15,660)
Accrued compensation	(5,652)	(19,250)
Net cash (used in)/provided by operating activities	(246,191)	517,579
Cash Flows from Investing Activities		
Net purchase of property and equipment	(49,961)	(619,054)
Net decrease in restricted cash	446,491	2,164
Decrease in debt service fund	109	3,160
Increase in construction fund	(6,562)	(18,932)
Net cash provided by/(used in) investing activities	390,077	(632,662)
Cash Flows from Financing Activities		
Net proceeds from/(payments of) loan	(36,781)	1,127,005
Principal payments of bonds payable	(605,000)	(580,000)
Net (payments to)/proceeds from related parties	(885,482)	763,538
Net cash (used in)/provided by financing activities	(1,527,263)	1,310,543
Net (Decrease)/Increase in Cash	(1,383,377)	1,195,460
Cash, Beginning of Year	1,579,900	384,440
Cash, End of Year	$ 196,523	$ 1,579,900
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	$ 531,323	$ 511,692

See notes to financial statements.

1. ORGANIZATION

Ryan/Chelsea-Clinton Community Health Center, Inc. (the "Center") operates a freestanding diagnostic and treatment center, licensed under Article 28 of the New York State health law, located in Manhattan. The Center provides a broad range of health services to a largely medically underserved population.

The Center experienced operating losses in prior years and has a net asset deficiency of $4,601,094 as of December 31, 2010. The Center, an affiliated organization of the William F. Ryan Community Health Center, Inc. ("WFR") through the existence of economic interest, was obligated to WFR as of December 31, 2010 and 2009 for $8,779,169 and $9,664,651, respectively, (which includes a subvention certificate of $1,600,000 in both years). WFR will not require the repayment of this amount prior to January 1, 2012 and WFR will advance funds during 2011, if needed, to allow the Center to meet its obligations in a timely manner through January 1, 2012.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Basis of Presentation

The Center reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

These classes are defined as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed restrictions.

Temporarily restricted net assets – Net assets subject to donor-imposed restrictions that will be met either by actions of the Center and/or passage of time.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Presentation – Continued

Permanently restricted net assets – Net assets subject to donor-imposed restrictions that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Center.

Currently, the Center has no temporarily and permanently restricted net assets.

Cash

The Center maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Center has not experienced any losses on such accounts.

Restricted Cash

Restricted cash consists of funds designated for specified purpose. Restricted cash as of December 31, 2010, consists of unused portion of the proceeds from loan received from Afia Foundation, Inc. to pay for the implementation costs of the electronic medical records.

Patient Services Receivable

Patient services receivable is reported at its outstanding unpaid principal balances reduced by an allowance for doubtful accounts. The Center estimates doubtful accounts based on historical bad debts, factors related to specific payor's ability to pay, and current economic trends. The Center writes off patient services receivable against the allowance when a balance is determined to be uncollectible.

Property and Equipment

Property and equipment is recorded at cost. Depreciation and amortization are recorded on the straight-line basis over the estimated useful lives of the assets, which range from 5 to 40 years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Deferred Bond Fees

Costs incurred in connection with the issuance of the bonds are amortized on a straight-line basis over the term of the related obligation. Deferred bond fees with a cost basis of $424,139 and accumulated amortization of $233,276 and $190,863 as of December 31, 2010 and 2009, respectively, are being amortized over 20 years.

Revenue Recognition

Contributions, including government grants and contracts, are recorded as either temporarily or permanently restricted revenue if they are received with donor stipulations that limit the use of the donated asset. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted assets are reclassified to unrestricted net assets and reported in the statement of operations and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions expire during the same calendar year are recognized as unrestricted revenue.

Revenue from government grants and contracts designated for use in specific activities is recognized in the period when the expenditures have been incurred in compliance with the grantor's restrictions. Grants and contracts awarded for the acquisition of long-lived assets are reported as unrestricted nonoperating revenue, in the absence of donor stipulations to the contrary, during the fiscal year in which the assets are acquired. Cash received in excess of revenue recognized is recorded as refundable advances.

Patient services revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered. Self-pay revenue is recorded at published charges with charitable allowances deducted to arrive at net self-pay revenue. All other patient services revenue is recorded at published charges with contractual allowances deducted to arrive at patient services, net.

Functional Allocation of Expenses

The costs of providing for the Center's programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services that are benefited.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Use of Estimates

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

Adoption of Financial Accounting Standards Board Accounting Standards Codification No. 820-10, "Fair Value Measurements and Disclosure" ("FASB ASC 820-10")

In 2009, the Center adopted FASB ASC 820-10 which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. It applies to other pronouncements that require or permit fair value but does not require any new fair value measurements. The management noted no material effect on the Center's financial statements upon adoption of FASB ASC 820-10.

Fair Value Hierarchy

FASB ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Center has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Income Taxes

The Center was incorporated as a not-for-profit corporation under the laws of the State of New York and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, there is no provision for income taxes.

Reclassifications

Reclassifications were made to the December 31, 2009 amounts to provide consistency with the December 2010 presentation.

3. FAIR VALUES

The following table presents by level, within the fair value hierarchy, the Center's assets at fair value as of December 31, 2010 and 2009 are as follows:

	Assets at Fair Value as of December 31, 2010			
	Level 1	Level 2	Level 3	Total
Restricted cash	$ -	$ 274,874	$ -	$ 274,874
Debt service fund	-	546,391	-	546,391
Debt service reserve fund	-	551,867	-	551,867
Construction fund	-	143,437	-	143,437
Total assets at fair value	$ -	$ 1,516,569	$ -	$ 1,516,569

	Assets at Fair Value as of December 31, 2009			
	Level 1	Level 2	Level 3	Total
Restricted cash	$ -	$ 721,365	$ -	$ 721,365
Debt service fund	-	546,500	-	546,500
Debt service reserve fund	-	551,867	-	551,867
Construction fund	-	136,875	-	136,875
Total assets at fair value	$ -	$ 1,956,607	$ -	$ 1,956,607

4. PATIENT SERVICES RECEIVABLE

Patient services receivable consists of:

	2010	2009
Medicaid	$ 808,819	$ 385,098
Medicare	107,023	92,064
Private insurance	99,385	94,701
Self-pay	125,460	9,147
New York State Uncompensated Care	471,969	322,272
New York State Wraparound	655,916	523,109
	2,268,572	1,426,391
Less allowance for doubtful accounts	(120,851)	(9,147)
	$ 2,147,721	$ 1,417,244

5. CONTRACTS RECEIVABLE

Contracts receivable consists of:

	2010	2009
National Association of Community Health Centers ("NACHC") - AmeriCorps Program	$ 7,340	$ 25,225
Afia Foundation, Inc. - AmeriCorps Program	15,074	15,074
New York City Department of Health and Mental Hygiene:		
- Electronic Medical Records	76,553	76,553
- Medical Van	-	300,000
	$ 98,967	$ 416,852

6. PROPERTY AND EQUIPMENT

Property and equipment consists of:

	2010	2009
Land	$ 1,964,266	$ 1,964,266
Building and improvements	9,325,141	9,305,116
Furniture and equipment	2,419,605	2,582,018
	13,709,012	13,851,400
Less accumulated depreciation and amortization	(3,867,416)	(3,536,607)
	$ 9,841,596	$ 10,314,793

In November 2002, the Center sold 9,000 square feet of land for $2,000,000 resulting in a net gain of $1,465,299. Of the proceeds, $721,365 is restricted cash being held by the Dormitory Authority of the State of New York ("DASNY") as of December 31, 2009. On December 15, 2009, DASNY approved the release of the funds, to be deposited in the Debt Service Fund with respect to the Series 1999 Bonds and applied in accordance with DASNY's Revenue Bond Resolution adopted on October 27, 1999 (See Note 8).

In the event the Department of Health and Human Services ("DHHS") grants are terminated, the DHHS reserves the right to transfer all property and equipment purchased with grant funds to the Public Health Service ("PHS") or third parties.

7. LOAN PAYABLE

On October 16, 2009 (the "Closing Date"), the Center entered into a loan agreement with Afia Foundation, Inc. with a principal amount of $1,130,000, to pay for the implementation costs of the electronic medical records project. As of December 31, 2010, restricted cash related to the loan agreement is $274,874, which consists of the unused portion of the proceeds from the loan.

The loan has a term of 20 years and bears interest at the United States Prime Rate as listed in the Eastern print edition of the Wall Street Journal ("U.S. Prime Rate") plus 1% as of the Closing Date. On each anniversary of the Closing Date, the interest rate shall be reset to the rate equal to the U.S. Prime Rate plus 1%, which shall never exceed 7% per annum.

7. LOAN PAYABLE – CONTINUED

Principal and interest on the loan shall be paid by the Center on the first business day of each month commencing of December 1, 2009 and continuing thereafter on the first business day of each month until the loan has been repaid in full so as to amortize the loan by December 1, 2029.

As of December 31, 2010 and 2009, the loan has a balance of $1,090,224 and $1,127,005, respectively.

The future scheduled payments of the loan payable are as follows:

Year ending December 31,	
2011	$ 38,376
2012	40,039
2013	41,774
2014	43,584
2015	45,473
Thereafter	880,978
	$ 1,090,224

8. BONDS PAYABLE

On January 13, 2000, the Center obtained permanent financing for a new diagnostic and treatment center which included a Construction Disbursement Agreement with DASNY. DASNY's disbursements to the Center under the agreement are financed through the issuance of bonds. DASNY had withheld $551,867 from the bond issuance for a debt service reserve fund in the event the Center does not make the required payments on the bonds. In addition, the Center's portion of the original issue discount is being amortized over the 20-year term of the payable. The average interest over the term of the loan is expected to be 5.63% and principal and interest are paid monthly over 20 years. The bonds are secured by all of the Center's assets.

	2010	2009
Costs	$ 7,395,000	$ 8,000,000
Less original issue discount	(69,387)	(84,807)
Less current maturities	(640,000)	(605,000)
Bonds payable, net of current maturities	$ 6,685,613	$ 7,310,193

8. BONDS PAYABLE – CONTINUED

The aggregate amount of principal payments on the bonds payable subsequent to December 31, 2010 will be as follows:

Year ending December 31,	
2011	$ 640,000
2012	680,000
2013	720,000
2014	765,000
2015	815,000
Thereafter	3,775,000
Total	$ 7,395,000

Assets under bond indenture agreements held by Deutsche Bank (the "Trustee") are maintained for the following as of December 31, 2010 and 2009:

	2010	2009
Debt Service Fund	$ 546,391	$ 546,500
Construction Fund	143,437	136,875
	$ 689,828	$ 683,375

On December 15, 2009, the Center received a letter from DASNY, which constitutes the approval of DASNY, as required under the Escrow Agreement dated as of November 21, 2002 (the "Escrow Agreement"), to JPMorgan Chase, the Escrow Agent under the Escrow Agreement, to disburse the balance of the monies held in the escrow fund established under the Escrow Agreement (the "Escrow Fund"), to the Trustee in connection with the Series 1999 Bonds. The Escrow Agent is directed to transfer $91,083 to the Trustee on the first day of each month, for six consecutive months, commencing January 1, 2010 through June 1, 2010, to transfer $90,925 to the Trustee on July 1, 2010, and to transfer the balance of funds on deposit in the Escrow Fund to the Trustee on August 1, 2010. As of December 31, 2010, all of the restricted cash related to the Escrow Fund has been deposited in the Debt Service Fund with respect to the Series 1999 Bonds and applied in accordance with DASNY's Revenue Bond Resolution, adopted on October 27, 1999.

9. PATIENT SERVICES

Patient services consists of:

	Gross Charges	Contractual and Charitable Allowances	Net Revenue 2010	Net Revenue 2009
Medicaid	$ 1,757,324	$ 170,743	$ 1,586,581	$ 1,301,179
Medicaid Managed Care	3,444,638	2,034,196	1,410,442	1,093,587
Medicare	237,082	(41,795)	278,877	397,192
Private insurance	1,280,744	991,299	289,445	291,159
Self-pay	1,737,911	1,220,259	517,652	482,945
	$ 8,457,699	$ 4,374,702	4,082,997	3,566,062
New York State Wraparound			2,226,391	2,488,481
New York State Uncompensated Care			435,692	717,507
Medicaid Managed Care Incentives			6,080	67,375
			$ 6,751,160	$ 6,839,425

Medicaid and Medicare revenues are reimbursed to the Center at the net reimbursement rates as determined by each program. Reimbursement rates are subject to revisions under the provisions of regulations. Adjustments for such revisions are recognized in the calendar year received.

10. GRANTS AND CONTRACT SERVICES

This account consists of:

	2010	2009
Passed through William F. Ryan Community Health Center, Inc.:		
Consolidated Health Center Program	$ 1,050,000	$1,050,000
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	100,000	100,000
City of New York Department of Health and Mental Hygiene:		
Vaccines for Children Program	150,925	159,750
Community-Based Social Service Programs:		
NACHC - AmeriCorps Program	100,541	93,143
St. Luke's - Roosevelt Hospital Center - Roosevelt Program	100,000	99,996
Afia Foundation, Inc. (Note 12)	175,121	126,231
Entertainment Industry Foundation - Revlon Program	10,000	14,400
Other	51,211	18,403
	$ 1,737,798	$1,661,923

11. PENSION PLANS

The Center has a defined contribution pension plan covering substantially all nonunion full-time employees meeting certain eligibility requirements. Contributions to the plan are based on a percentage of salaries. Pension expense amounted to $30,722 and $59,547 for the years ended December 31, 2010 and 2009, respectively.

In connection with its collective bargaining agreement with 1199SEIU United Healthcare Workers East, the Center participates in a defined benefit pension plan. The plan covers substantially all of the Center's union employees. Pension expense amounted to $102,987 and $105,625 for the years ended December 31, 2010 and 2009, respectively.

12. RELATED PARTY TRANSACTIONS

The Center is related to WFR through the existence of economic interest. WFR had paid for expenses on behalf of the Center since its inception, and has also advanced $1,150,000 to the Center, which represents funds that are for the Center's federal grants.

In addition, a subrecipient agreement exists between WFR and the Center whereby WFR provides administrative, fiscal and support services to the Center. Fees due related to this agreement for the years ended December 31, 2010 and 2009 amounted to $500,000 and $300,000, respectively. These fees are included in consultants and contractual services in the statement of functional expenses.

The Center has a subvention certificate issued by WFR in the amount of $1,600,000. A subvention certificate is a loan which shall consist of money or other property, tangible or intangible, actually received by the Center or expended for its benefit or its formation or reorganization or a combination thereof. The subvention certificate does not require fixed or contingent payments with respect to the subvention due to WFR.

In 2010, the Center made payments to WFR amounting to $885,482. As of December 31, 2010, the Center's liability to WFR (inclusive of the subvention certificate of $1,600,000) amounted to $8,779,169.

The Center and WFR are the corporate members of Afia Foundation, Inc. ("Afia") acting through their individual board of directors. The Center received grants from Afia amounting to $175,121 and $126,231 in 2010 and 2009, respectively, for funding of the AmeriCorps Program and the repayment of advances from WFR.

13. PRIOR PERIOD ADJUSTMENT

An error resulting in the non-recording of the debt service fund in prior years since 2000 was discovered during the current year. Accordingly, an adjustment of $546,500 was made during 2009 to record the debt service fund as of the end of the year. A corresponding entry was made to increase previously reported liabilities. The restatement has no effect on net assets for 2009.

14. COMMITMENTS AND CONTINGENCIES

The Center maintains its medical malpractice coverage under the Federal Tort Claims Act ("FTCA"). FTCA provides malpractice coverage to eligible PHS-supported programs and applies to the Center and its employees while providing services within the scope of employment included under grant-related activities. The Attorney General, through the U. S. Department of Justice, has the responsibility for the defense of the individual and/or grantee for malpractice cases approved for FTCA coverage. The Center maintains gap insurance for claims that are not covered by FTCA.

The Center has been named in litigation claims in the normal course of its operations. These claims will, in the opinion of management, be fully covered by the Center's insurance coverage and will not have a material adverse effect upon the financial position of the Center.

15. SUBSEQUENT EVENTS

The Center evaluates events occurring after the date of the financial statements to consider whether or not the impact of such events needs to be reflected or disclosed in the financial statements. Such evaluation is performed through the date the financial statements are issued, which was June 7, 2011 for these financial statements.

UNAUDITED FINANCIAL STATEMENTS
AS OF AND FOR THE ELEVEN MONTH PERIODS ENDED
NOVEMBER 30, 2011 AND 2010

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RYAN/CHELSEA-CLINTON COMMUNITY HEALTH CENTER, INC.

UNAUDITED FINANCIAL STATEMENTS

AS OF AND FOR THE ELEVEN MONTH PERIODS ENDED NOVEMBER 30, 2011 AND 2010

RYAN/CHELSEA-CLINTON COMMUNITY HEALTH CENTER, INC.
NOVEMBER 30, 2011 AND 2010

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RYAN/CHELSEA-CLINTON COMMUNITY HEALTH CENTER, INC.
UNAUDITED BALANCE SHEETS

	Unaudited November 30, 2011	Unaudited November 30, 2010
Assets		
Current Assets		
Cash	$ 173,604	$ 311,739
Restricted cash	220,695	311,320
Debt service fund	472,173	453,752
Patient services receivable - net	1,816,164	1,939,103
Contracts receivable	187,455	93,363
Prepaid expenses and other current assets	165,603	90,895
Total Current Assets	3,035,694	3,200,172
Property and equipment - net	9,463,823	9,975,669
Debt service reserve fund	551,867	551,867
Construction fund	143,437	136,875
Deferred bond fees - net	171,424	213,837
Total Assets	$ 13,366,245	$ 14,078,420
Liabilities and Net Asset Deficiency		
Current Liabilities		
Accounts payable and accrued expenses	$ 611,727	$ 881,288
Accrued interest	187,996	187,085
Accrued compensation	411,615	409,001
Current portion of loan payable	39,897	38,240
Current maturities of bonds payable	680,000	640,000
Total Current Liabilities	1,931,235	2,155,614
Long-term Liabilities		
Loan payable	1,015,211	1,055,108
Bonds payable - net	6,012,680	6,677,260
Due to related parties	6,897,096	7,209,231
Subvention certificate payable	1,600,000	1,600,000
Total Liabilities	17,456,222	18,697,213
Net Asset Deficiency		
Net asset deficiency	(4,089,977)	(4,618,793)
Total Liabilities and Net Asset Deficiency	$ 13,366,245	$ 14,078,420

See notes to unaudited financial statements.

RYAN/CHELSEA-CLINTON COMMUNITY HEALTH CENTER, INC.
UNAUDITED STATEMENTS OF OPERATIONS
AND CHANGES IN NET ASSET DEFICIENCY

	Unaudited Eleven Months Ended	
	November 30, 2011	**November 30, 2010**
Revenues		
Patient services - net	$ 5,509,411	$ 6,085,975
Grants and contract services	2,518,149	1,452,469
Fundraising - net of expenses	-	53,729
Other	47,415	97,247
Total Revenues	8,074,975	7,689,420
Expenses		
Salaries and benefits	3,987,476	4,231,772
Other than personnel services	2,610,697	2,746,312
Interest	439,093	471,406
Provision for doubtful accounts	61,004	199,199
Total Expenses	7,098,270	7,648,689
Operating Income Prior to Depreciation and Amortization	976,705	40,731
Depreciation and amortization	465,588	401,214
Changes in Unrestricted Net Assets	511,117	(360,483)
Net Asset Deficiency at January 1	(4,601,094)	(4,258,310)
Net Asset Deficiency at November 30	$ (4,089,977)	$ (4,618,793)

See notes to unaudited financial statements.

RYAN/CHELSEA-CLINTON COMMUNITY HEALTH CENTER, INC.
UNAUDITED STATEMENT OF FUNCTIONAL EXPENSES

	Unaudited Eleven Months Ended November 30, 2011		
	Program Services	General and Administrative	Total
Salaries and wages	$ 2,438,661	$ 623,159	$ 3,061,820
Fringe benefits	778,184	147,472	925,656
Consultants and contractual services	579,359	778,078	1,357,437
Professional fees	-	124,178	124,178
Supplies	199,130	112,010	311,140
Pharmaceuticals	45,003	-	45,003
Laboratory	60,759	-	60,759
Equipment rental and maintenance	78,586	19,647	98,233
Occupancy	109,034	27,259	136,293
Insurance	31,071	16,912	47,983
Telephone	30,270	17,777	48,047
Travel, conferences and meetings	23,818	16,326	40,144
Dues and subscriptions	13,722	8,059	21,781
Printing, publications and postage	14,942	8,876	23,818
Interest	351,274	87,819	439,093
Personnel recruitment	38,870	22,829	61,699
Data processing	83,615	49,107	132,722
Bank fees	-	6,066	6,066
Provision for doubtful accounts	61,004	-	61,004
Bond fees	20,137	5,034	25,171
Other	8,236	61,987	70,223
	4,965,675	2,132,595	7,098,270
Depreciation and amortization	372,470	93,118	465,588
	$ 5,338,145	$ 2,225,713	$ 7,563,858

See notes to unaudited financial statements.

RYAN/CHELSEA-CLINTON COMMUNITY HEALTH CENTER, INC.
UNAUDITED STATEMENT OF FUNCTIONAL EXPENSES

	Unaudited Eleven Months Ended November 30, 2010		
	Program Services	General and Administrative	Total
Salaries and wages	$ 2,714,889	$ 533,079	$ 3,247,968
Fringe benefits	802,819	180,985	983,804
Consultants and contractual services	516,000	806,131	1,322,131
Professional fees	-	84,294	84,294
Supplies	166,774	93,811	260,585
Pharmaceuticals	79,103	-	79,103
Laboratory	123,858	-	123,858
Equipment rental and maintenance	100,810	25,202	126,012
Occupancy	116,823	29,206	146,029
Insurance	29,077	17,285	46,362
Telephone	46,692	27,422	74,114
Travel, conferences and meetings	28,627	22,771	51,398
Dues and subscriptions	9,796	5,753	15,549
Printing, publications and postage	9,966	5,849	15,815
Interest	377,125	94,281	471,406
Personnel recruitment	41,276	24,241	65,517
Data processing	122,305	71,830	194,135
Bank fees	-	9,970	9,970
Provision for doubtful accounts	199,199	-	199,199
Bond fees	34,014	8,504	42,518
Other	6,049	82,873	88,922
	5,525,202	2,123,487	7,648,689
Depreciation and amortization	320,971	80,243	401,214
	$ 5,846,173	$ 2,203,730	$ 8,049,903

See notes to unaudited financial statements.

RYAN/CHELSEA-CLINTON COMMUNITY HEALTH CENTER, INC.
UNAUDITED STATEMENTS OF CASH FLOWS

	Unaudited Eleven Months Ended November 30, 2011	Unaudited Eleven Months Ended November 30, 2010
Cash Flows from Operating Activities		
Changes in unrestricted net assets	$ 511,117	$ (360,483)
Adjustments to reconcile changes in unrestricted net assets to net cash provided by/(used in) operating activities:		
Depreciation and amortization	465,588	401,214
Provision for doubtful accounts	61,004	199,199
Decrease/(increase) in operating assets:		
Patient services receivable	270,553	(721,058)
Contracts receivable	(88,488)	323,489
Prepaid expenses and other current assets	(91,572)	15,294
Increase/(decrease) in operating liabilities:		
Accounts payable and accrued expenses	(177,682)	12,019
Accrued interest	(37,552)	(56,915)
Accrued compensation	(45,786)	(54,052)
Net cash provided by/(used in) operating activities	867,182	(241,293)
Cash Flows from Investing Activities		
Net purchase of property and equipment	(87,815)	(62,090)
Net decrease in restricted cash	54,179	410,045
Decrease in debt service fund	74,218	92,748
Net cash provided by investing activities	40,582	440,703
Cash Flows from Financing Activities		
Net payments of loan	(35,116)	(33,657)
Principal payments of bonds payable	(613,494)	(578,494)
Net payments to related parties	(282,073)	(855,420)
Net cash used in financing activities	(930,683)	(1,467,571)
Net Decrease in Cash	(22,919)	(1,268,161)
Cash at January 1	196,523	1,579,900
Cash at November 30	$ 173,604	$ 311,739

See notes to unaudited financial statements.

1. BASIS OF PRESENTATION

The accompanying unaudited balance sheets of Ryan/Chelsea-Clinton Community Health Center, Inc. (the "Center") as of November 30, 2011 and 2010, and the related statements of operations, changes in net assets, functional expenses and cash flows for the eleven month periods then ended, have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America applied on a basis substantially consistent with that of the December 31, 2009 audited financial statements of the Center. They do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for annual financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

The Center presumes that users of this interim financial information have read or have access to the Center's audited financial statements and that the adequacy of additional disclosures needed for a fair presentation may be determined in that context. Accordingly, footnotes and other disclosures that would substantially duplicate the disclosures contained in the Center's most recent audited financial statements have been omitted.

Patient volumes and net operating revenue and results are subject to seasonal variations caused by a number of factors. Monthly and periodic operating results are not necessarily representative of operations for a full year for various reasons, including patient volumes, interest rates, unusual or infrequent items and other seasonal fluctuations. These same considerations apply to year-to-year comparisons.

2. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. In the accompanying unaudited financial statements, estimates relate primarily, although not exclusively, to revenue recognition in the valuation of bad debt and contractual allowances and in the valuation of amounts due to and from third-party payors. There is at least a reasonable possibility that certain estimates will change by material amounts in the near term. Actual results could differ from those estimates. For the eleven month periods ended November 30, 2011 and 2010, the net change in estimates, relative principally to the items discussed above, were not material.

3. FAIR VALUE MEASUREMENT

For assets and liabilities required to be measured at fair value, the Center measures fair value based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are applied based on the unit of account from the Center's perspective. The unit of account determines what is being measured by reference to the level at which the asset or liability is aggregated (or disaggregated) for purposes of applying other accounting pronouncements.

The Center follows a fair valuation hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Center has the ability to access at the measurement date.

- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

All of the Center's financial assets that are carried at fair value (cash, restricted cash, debt service fund, debt service reserve fund and construction fund) are categorized as level two.

4. COMMITMENTS AND CONTINGENCIES

The Center maintains its medical malpractice coverage under the Federal Tort Claims Act ("FTCA"). FTCA provides malpractice coverage to eligible PHS-supported programs and applies to the Center and its employees while providing services within the scope of employment included under grant-related activities. The Attorney General, through the U. S. Department of Justice, has the responsibility for the defense of the individual and/or grantee for malpractice cases approved for FTCA coverage. The Center maintains gap insurance for claims that are not covered by FTCA.

4. COMMITMENTS AND CONTINGENCIES – CONTINUED

The Center has been named in litigation claims in the normal course of its operations. These claims will, in the opinion of management, be fully covered by the Center's insurance coverage and will not have a material adverse effect upon the financial position of the Center.

5. SUBSEQUENT EVENTS

The Center evaluates events occurring after the date of the unaudited financial statements to consider whether or not the impact of such events needs to be reflected or disclosed in the unaudited financial statements. Such evaluation is performed through the date the unaudited financial statements are issued, which was January 27, 2012 for these unaudited financial statements.

SUMMARY OF CERTAIN PROVISIONS

OF THE LOAN AGREEMENT

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SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

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

Termination.

The Loan Agreement shall remain in full force and effect until no Bonds are Outstanding and until all other payments, expenses and fees payable under the Loan Agreement (whether due to the Authority or any assignee thereunder) by the Institution shall have been made or provision made for the payment thereof; provided, however, that the liabilities and the obligations of the Institution under subdivision 1(g) of Section 9 of the Loan Agreement and to provide reimbursement for or indemnification against expenses, costs or liabilities made or incurred pursuant to Sections 23, 25 and 28 of the Loan Agreement shall nevertheless survive any such termination. Upon such termination, the Authority shall promptly deliver such documents as may be reasonably requested by the Institution to evidence such termination and the discharge of the Institution's duties under the Loan Agreement, including the satisfaction of the Mortgage and the release or surrender of any security interests granted by the Institution to the Authority pursuant to the Loan Agreement.

(Section 43)

Amendment of Project; Sale or Conveyance of Project; Alternative Parity Indebtedness; Cost Increases; Additional Bonds.

The Project may be amended by agreements supplementing the Loan Agreement by and among the Authority, the Department of Health, the Institution and SONYMA, to decrease, increase or otherwise modify the scope thereof. The Institution covenants that it shall not transfer, sell, encumber or convey any interest in the Project or any part thereof or interest therein, including development rights, without the prior written consent of the Authority and SONYMA. The Institution may incur Alternative Parity Indebtedness with the prior written approval of the Authority, the Department of Health and SONYMA.

(Section 6)

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

1. The Institution unconditionally agrees to maintain in the Debt Service and 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, as set forth in Exhibit D to 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 of such Bonds, and other costs in connection with the issuance of such Bonds;

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

(d) On the tenth day of each month commencing on the tenth day of the July immediately preceding the July 1 on which the principal or a Sinking Fund Installment of Bonds becomes due, one-twelfth (1/12) of the principal and Sinking Fund Installment on the Bonds coming due on such July 1; provided, however, that, if with respect to the 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 monthly payment dates prior to such July 1;

(e) At least forty-five (45) days prior to any date on which the Redemption Price or purchase price of Bonds previously called for redemption or contracted to be purchased is to be paid, the amount required to pay the Redemption Price or purchase price of such Bonds;

(f) On or before the date of delivery of the Series 2012 Bonds, an amount equal to the Department of Health up-front fee, and on March 1, 2012, and the first (1st) day of each month thereafter, an amount equal to one-twelfth (1/12) of the annual Department of Health Fee, each as described on Schedule A hereto;

(g) The Annual Administrative Fee through the final maturity date of the Bonds or until such Bonds are no longer Outstanding;

(h) Promptly after notice from the Authority, but in any event not later than fifteen (15) days after such notice is given, the amount set forth in such notice as payable to the Authority (i) for the Authority Fee then unpaid, (ii) to reimburse the Authority for payments made by it pursuant to subdivision 5 of Section 9 of the Loan Agreement and any expenses or liabilities incurred by the Authority pursuant to Section 23, 25 or 28 of the Loan Agreement, (iii) to reimburse the Authority for any external costs or expenses incurred by it attributable to the issuance of the Bonds or the financing or construction of the Project, including, but not limited to, costs and expenses of insurance and auditing and the balance of the premium that will become due and payable to SONYMA on or after the first anniversary date of the delivery of the Bonds, (iv) for the costs and expenses incurred by the Authority to compel full and punctual performance by the Institution of all the provisions of the Loan Agreement, or of the Mortgage or the Resolution in accordance with the terms of the Loan Agreement, the Mortgage or the Resolution and (v) 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;

(i) Promptly upon demand by the Authority (a copy of which demand shall be furnished to the Trustee), all amounts required to be paid by the Institution as a result of an acceleration pursuant to Section 29 of the Loan Agreement; and

(j) Promptly upon demand by the Authority, the difference between the amount on deposit in the Arbitrage Rebate Fund or otherwise available therefor under the Resolution for the payment of any rebate required by the Code to be made and the 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.

The Authority directs the Institution, and the Institution agrees, to make the payments required by the provisions of Loan Agreement summarized in paragraphs (c), (d), (e) and (i) above directly to the Trustee for deposit in the Debt Service Fund and application in accordance with the Resolution or the Bond Series Certificate, the payments required by the provisions of the Loan Agreement summarized in paragraph (b) above directly to the Trustee for deposit in the Construction Fund or other fund established under the Resolution or the Bond Series Certificate, as directed by the Authority, the payments required by the provisions of the Loan Agreement summarized in paragraph (i) of above, directly to the Trustee for deposit in the Arbitrage Rebate Fund, and the payments required by the provisions of the Loan Agreement summarized in paragraphs (a), (g) and (h) above directly to the Authority and the payments required by paragraph (f) directly to the Commissioner.

2. Notwithstanding any provision in the Loan Agreement or in the Resolution or the Bond Series Certificate to the contrary (except as otherwise specifically provided for in this paragraph), (i) all moneys paid by the Institution to the Trustee pursuant to the provisions of the Loan Agreement summarized in paragraphs (c), (d), (e) and (i) above (other than moneys received by the Trustee pursuant to Section 8.06 of 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 or Redemption Price of the Bonds to the extent of such payment and (ii) the transfer by the Trustee of any moneys (other than moneys described in clause (i) of this paragraph) held by it in the Construction Fund to the Debt Service Fund in accordance

with the applicable provisions of the Loan Agreement or of the Resolution shall be deemed, upon such transfer, receipt by the Authority from the Institution of a payment in satisfaction of the Institution's indebtedness to the Authority with respect to the interest on and principal or Redemption Price of the Bonds to the extent of the amount of moneys transferred. Immediately after receipt or transfer of such moneys, as the case may be, by the Trustee, the Trustee shall hold such moneys in trust in accordance with the applicable provisions of the Resolution for the sole and exclusive benefit of the Bondholders, regardless of the actual due date or 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 Section 5.06 of the Resolution.

3. The obligations of the Institution to make payments or cause the same to be made under the Loan Agreement shall be absolute and unconditional and the amount, manner and time of making such payments shall not be decreased, abated, postponed or delayed for any cause or by reason of the happening or non happening of any event, irrespective of any defense or any right of set off, recoupment or counterclaim which the Institution may otherwise have against the Authority, the Trustee or any 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 are or the Resolution or the Bond Series Certificate is invalid or unenforceable or any other failure or default by the Authority or the Trustee; provided, however, that nothing in the Loan Agreement shall be construed to release the Authority from the performance of any agreements on its part 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 to reimburse the Institution for, or to pay, the Costs of the Project beyond the extent of moneys in the Construction Fund established for the Project.

The Loan Agreement and the obligation of the Institution to make payments thereunder 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 by 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 Section 9 of the Loan Agreement which has not been made by the Institution when due. No such payment by the Authority shall limit, impair or otherwise affect the rights of the Authority under Section 29 of 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 the Authority in the Debt Service Fund or held by the Trustee for the payment of Bonds in accordance with Section 12.01 of the Resolution. Upon any voluntary payment by the Institution or any deposit in the Debt Service Fund made pursuant to paragraph 2 of Section 9 of 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 Sections 5.10 and 12.01 of the Resolution; 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 or the Series Resolution, including the purchase or redemption of all Bonds Outstanding, or to pay or provide for the payment of all Bonds Outstanding in accordance with Section 12.01 of 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 Section 12.01 of the Resolution.

(Section 9)

Reserve Funds.

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 subdivision 4 of Section 5.08 of the Resolution is given. Deposits, withdrawals and substitutions of moneys, Government Obligations and Exempt Obligations in the Debt Service Reserve Fund shall be made in accordance with the Loan Agreement and with Section 5.08 of the Resolution.

The delivery to the Trustee of Government Obligations, Exempt Obligations or other Securities 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, Exempt Obligations or other Securities to secure payment of the principal, Sinking Fund Installments, if any, and Redemption Price of, and interest on, the Bonds, whether at maturity, upon acceleration or otherwise, and the fees and expenses of the Trustee, and to make provision for and give directions with respect to the custody, reinvestment and disposition thereof in any manner not inconsistent with the terms of the Loan Agreement and of the Resolution or the Bond Series Certificate.

(Section 10)

Security Interest in Gross Receipts.

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

The Institution represents and warrants that no part of the Gross Receipts or any right to receive or collect the same or the proceeds thereof is subject to any lien, pledge, security interest or assignment, and that the Gross Receipts assigned pursuant to the Loan Agreement are legally available to provide security for the Institution's performance under the Loan Agreement. The Institution agrees that, except as expressly provided in Section 6 of the Loan Agreement in connection with Alternative Parity Indebtedness, it shall not hereafter create or permit the creation of any pledge, assignment, encumbrance, restriction, security interest in or other commitment of or with respect to the Gross Receipts which is prior or equal to the pledge made by Section 11 of the Loan Agreement.

(Section 11)

Collection of Gross Receipts.

1. Commencing on the date on which any Series of Bonds are first issued and delivered and continuing until no Bonds are Outstanding, the Institution shall deliver to the Trustee for deposit in the Debt Service Fund all Gross Receipts within ten (10) days following the Institution's receipt thereof unless and until there is on deposit in the Debt Service Fund an amount at least equal to the Debt Service Requirement. In the event that, pursuant to Section 29 of the Loan Agreement, the Authority notifies the Institution that account debtors are to make payments directly to the Authority or to the Trustee, such payments shall be so made, to the extent permitted by law, notwithstanding anything contained in Section 12 of the Loan Agreement, but the Institution shall continue to deliver to the Trustee for deposit in the Debt Service Fund any payments received by the Institution with respect to the Gross Receipts.

2. Notwithstanding anything to the contrary in paragraph (1) of Section 12 of the Loan Agreement, in the event that, on or prior to the tenth day of any month, the Institution makes a payment to or upon the order of the Trustee, from its general funds or from any other money legally available to it for such purpose, for deposit in the Debt Service Fund in the amount which the Institution is required to pay to the Trustee on the tenth day of such month pursuant to paragraphs (c) and (d) of subdivision 1 of Section 9 of the Loan Agreement, the Institution shall not be required solely by virtue of subdivision 1 of Section 12 of the Loan Agreement to deliver Gross Receipts to

the Trustee for deposit in the Debt Service Fund with respect to the amount due to be paid on the tenth day of such month.

3. Any Gross Receipts collected by the Institution that are not required to be paid to the Trustee pursuant to Section 12 or Section 28 of the Loan Agreement, including any amounts to make up any deficiencies in any funds or accounts established pursuant to the Resolution or the Bond Series Certificate, shall be free and clear of the security interest granted by the Loan Agreement and may be disposed of by the Institution for any of its corporate purposes provided that no Event of Default (as defined in Section 29 of the Loan Agreement), nor any event which but for the passage of time or the giving of notice, or both, would be an Event of Default, has occurred and is continuing.

(Section 12)

Mortgage(s); Lien on Fixtures, Furnishings and Equipment.

In connection with the delivery of the Refunded Bonds, the Institution executed and delivered to the Authority the 1999 Mortgage, in recordable form, mortgaging the Mortgaged Property. In connection with the issuance of the Bonds, the Authority and the Institution received written consent of SONYMA and the Department of Health to amend the 1999 Mortgage and prior to the delivery of the Bonds shall amend the 1999 Mortgage. The 1999 Mortgage as amended shall continue to constitute a first lien on such Mortgaged Property, subject only to the Permitted Encumbrances.

Prior to any assignment of the Mortgage to the Trustee or SONYMA in accordance with the terms of the Resolution, the Authority, with the prior written consent of SONYMA and the Department of Health, may consent to the amendment, modification, termination, subordination or satisfaction of such Mortgage and of any security interest in fixtures, furnishings or equipment located in or on or used in connection with such Mortgaged Property and all or any portion of the property subject to such Mortgage or security interest may be released from the lien thereof, all upon such terms and conditions as the Authority may reasonably require. As a condition to such approval, the Authority may require that the Institution pay to the Trustee for deposit in the Debt Service Fund an amount not to exceed the principal amount of the Bonds Outstanding at the date of such transfer, sale or conveyance, as such amount is determined by the Authority. Notwithstanding the foregoing, the Institution may remove equipment, furniture or fixtures in the Mortgaged Property provided that either (i) the Institution substitutes equipment, furniture or fixtures having a value and utility at least equal to the equipment, furniture or fixtures removed or replaced or (ii) such equipment, furniture or fixtures is obsolete.

(Section 13)

Warranty 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 the Project and all Mortgaged Property, for proper operation and utilization of such Project and such Mortgaged Property and for utilities required to serve such Project and such Mortgaged Property, together with such rights of way, easements or other rights in, to and over land as may be necessary for construction by the Institution of such Project.

The Institution warrants, represents and covenants that (i) the Project and all 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, such 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.

1. The Institution consents to and authorizes the assignment, transfer or pledge by the Authority to the Trustee of the Authority's rights to receive the payments required to be made pursuant to paragraphs (c), (d), and (e) and (h) of subdivision 1 of Section 9 of the Loan Agreement, any or all security interests granted by the Institution under the Loan Agreement or under the Mortgage, including without limitation the security interest in the Gross Receipts, the Mortgaged Property, any security interest in the fixtures, furnishings and equipment located or used in connection with the Mortgaged Property, the Government Obligations, Exempt Obligations and other Securities delivered pursuant to subdivision 1 of Section 9 or Section 10 of the Loan Agreement and all funds and accounts established by the Resolution (other than the Arbitrage Rebate Fund) and pledged under the Resolution in each case to secure any payment or the performance of any obligation of the Institution under the Loan Agreement or arising out of the transactions contemplated by the Loan Agreement whether or not the right to enforce such payment or performance shall be specifically assigned by the Authority to the Trustee. Upon any pledge and assignment by the Authority to the Trustee authorized by Section 15 of the Loan Agreement, the Trustee shall be fully vested with all of the rights of the Authority so assigned and pledged and may thereafter exercise or enforce, by any remedy provided therefor, by the Loan Agreement or by law, any of such rights directly in its own name. Any such pledge and assignment shall be limited to securing the Institution's obligation to make all payments required by the Loan Agreement and to performing all other obligations required to be performed by the Institution under the Loan 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.

2. The Institution covenants, warrants and represents that it is duly authorized by all applicable laws, its charter and by-laws to enter into the Loan Agreement and the Undertaking, to incur the indebtedness contemplated thereby, to make and deliver the Mortgage Modification Agreement, and to pledge, grant a security interest in and assign to the Authority and the Trustee, for the benefit of the Bondholders, the Gross Receipts as provided under the Loan Agreement and in the Mortgage and the moneys, Government Obligations, Exempt Obligations and other Securities delivered pursuant to Section 10 of the Loan Agreement, in each case, 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, 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 (except to the extent explicitly permitted by the Loan Agreement or required by law), 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, to the extent permitted by law, 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 as provided in the Loan Agreement and in the Mortgage and the moneys, Government Obligations, Exempt Obligations and other Securities delivered pursuant to Section 10 of the Loan Agreement and all of the rights of the Authority and Trustee, for the benefit of the Bondholders, under the Loan Agreement, the Resolution and the Mortgage against all claims and demands of all persons whomsoever. The Institution further covenants, warrants and represents that the execution and delivery of the Loan Agreement and of the Mortgage Modification Agreement, and the consummation of the transactions contemplated by the Loan Agreement and by the Mortgage Modification Agreement and compliance with the provisions of the Loan Agreement and the Mortgage Modification Agreement, including, but not limited to, the assignment as security or the granting of a security interest in the Gross Receipts pursuant to the Loan Agreement and in the Mortgage or the moneys, Government Obligations, Exempt Obligations and other Securities delivered to the Trustee pursuant to Section 10 of the Loan Agreement, do not violate, conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, the charter or 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. Upon receipt by the Trustee of a Lump Sum Payment (as defined in the SONYMA Insurance Policy) in an amount sufficient with other available moneys to provide for the redemption of the Bonds, all right, title and interest of the Trustee and the Authority in and to the Mortgage and related documents shall terminate, and the

Trustee shall promptly execute an assignment, satisfactory to SONYMA, in a form that will allow SONYMA to record, in the place where the Mortgage is recorded and such other appropriate filing office, its interests in the Mortgage and related documents. The Trustee shall at the same time deliver to SONYMA the originals of the Mortgage, the original policies, if any, of title insurance and other insurance then held by the Trustee, Uniform Commercial Code assignments, affidavits with respect to the exemption of recording tax of the Mortgage, other documents related to the Mortgage and such other things as SONYMA may reasonably request. Upon receipt by the Trustee of an amount, together with other available monies sufficient to provide for the redemption of the Bonds, the Authority shall assign to SONYMA all of its right, title and interest in the Loan Agreement, provided, however, the Authority shall retain all of its rights pursuant to subparagraphs (g) and (i) of subdivision 1 of Section 9 21 and 28 of the Loan Agreement and the Authority shall be entitled to enforce the provisions thereof. The Authority and the Trustee agree that in the event the Trustee shall fail to assign the Mortgage and related documents to SONYMA as aforesaid, damages shall not be an adequate remedy for SONYMA, and therefore the agreement of the Trustee to assign the Mortgage and documents related thereto to SONYMA shall be specifically enforceable by SONYMA.

(Section 15)

Tax-Exempt Status.

The Institution represents that (i) it is an organization described in Section 501(c)(3) of the Code, or corresponding provisions of prior law, (ii) it has received a letter or other notification from the Internal Revenue Service to that effect, (iii) to the extent relevant to the Institution's status as an organization described in Section 501(c)(3) of the Code (a) such letter or other notification has not been modified, limited or revoked, (b) it is in compliance with all terms, conditions and limitations, if any, contained in such letter or other notification, and (c) 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 (iv) 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 an organization within the meaning of Section 501(c)(3) of the Code or any successor provision of federal income tax law and (b) it shall not perform any act, enter into any agreement or use or permit the Project to be used in any manner, or for any trade or business or other nonexempt use unrelated to the purposes of the Institution, which could adversely affect the exclusion of interest on the Series 2012A Bonds from federal gross income pursuant to Section 103 of the Code.

(Section 16)

Restrictions on Religious Use.

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

The instrument containing such restriction shall also provide that if at any time thereafter, in the opinion of Bond Counsel, the then applicable law would permit such portion of such Project, or, if included in such Project, the real property on or in which such portion is situated, to be used without regard to the above stated restriction, then said restriction shall be without any force or effect. For the purposes of the provisions of the Loan Agreement, an involuntary transfer or disposition of the Project or a portion thereof, upon foreclosure, condemnation or otherwise, shall be considered a sale for the fair market value thereof.

(Section 21)

Covenant as to Insurance.

The Institution shall procure and maintain, or cause to be procured and maintained, to the extent reasonably obtainable, from responsible insurers, insurance of the type and in the amounts customarily maintained by institutions providing services similar to those provided by the Institution.

Any insurance procured and maintained by the Authority or the Institution pursuant to the Loan Agreement, including any blanket insurance policy, may include deductible provisions reasonably satisfactory to the Authority and the Institution. In determining whether or not any insurance required by the Loan Agreement is reasonably obtainable or if the deductible on any such insurance is a reasonable deductible, the Authority may rely solely and exclusively upon the advice and judgment of any insurance consultant chosen by the Institution and approved by the Authority, and any such decision by the Authority, based upon such advice and judgment, shall be conclusive.

No provision of Section 23 of the Loan Agreement shall be construed to prohibit the Institution from self insuring against any risk at the recommendation of any insurance consultant chosen by the Institution and approved by the Authority; provided, however, that self-insurance plans shall not cover property, plant and equipment. The Institution shall also cause an annual evaluation of such self insurance plans to be performed by an independent insurance consultant. The Institution shall provide adequate funding of such self insurance if and to the extent recommended by such insurance consultant and approved by the Authority.

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

(Section 23)

Damage or Condemnation.

In the event of a taking of the Project or the Mortgaged Property or any portion thereof by eminent domain or of condemnation, damage or destruction affecting all or part of the Project or the 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 such 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 SONYMA agree in writing that the Project, the Mortgaged Property or the affected portion thereof shall be repaired, replaced or restored, the Institution shall proceed to repair, replace or restore the Project, the Mortgaged Property or the affected portion thereof, including all fixtures, furniture, equipment and effects, to its original condition insofar as possible with such changes and additions as shall be appropriate to the needs of the Institution and approved in writing by the Authority and SONYMA. 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 SONYMA 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, the Mortgaged Property or the affected portion thereof shall be reached by the Authority, the Institution and to SONYMA 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 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 of Bonds.

(Section 24)

Taxes and Assessments.

The Institution shall pay or shall cause to be paid when due at its own expense, and hold the Authority harmless from, all taxes, assessments, water and sewer charges and other impositions, if any, which may be levied or assessed upon the Project or the Mortgaged Property or any part thereof, and upon all ordinary costs of operating, maintaining, renovating, repairing and replacing the Project and the Mortgaged Property and its equipment. The Institution shall file exemption certificates as required by law. The Institution agrees to exhibit to the Authority within ten (10) days after written demand by the Authority, certificates or receipts issued by the appropriate authority showing full payment of all taxes, assessments, water and sewer charges and other impositions; provided, however, that the good faith contest of such impositions shall be deemed to be complete compliance with the requirements of the Loan Agreement if the Institution deposits with the Authority the full amount of such contested impositions. Notwithstanding the foregoing, the Authority in its sole discretion, after notice in writing to the 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, under the Bond Series Certificate or under the Resolution or the Mortgage (including any benefits that may be derived pursuant to SONYMA Insurance Policy); (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, under the Bond Series Certificate or under the Resolution; or (iv) the ability of the Institution to fulfill the terms of the covenants or perform any of its obligations under the Loan Agreement, under the Resolution or under 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 Section of the Loan Agreement or in the delivery of Securities or the payment of any other amounts required to be delivered or paid by the Institution in accordance with the Loan Agreement or with the Resolution;

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

(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 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 within ninety (90) days;

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

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

(k) an order of a court having jurisdiction shall be made directing the sale, disposition or distribution of all or substantially all of the property belonging to the Institution, which order shall remain undismissed or unstayed for an aggregate of thirty (30) days; or

(l) a final judgment for the payment of money which in the judgment of the Authority will adversely affect the rights of the Bondholders shall be rendered against the 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 for the enforcement thereof, to have been stayed pending determination of such appeal.

2. Upon the occurrence of an Event of Default, the Authority shall provide the Department of Health and SONYMA written notice upon its becoming aware thereof and may, with the consent of SONYMA, and shall, at the direction of SONYMA, take any one or more of the following actions:

(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 the Bonds or the Construction Fund or otherwise to which the Institution may otherwise be entitled under the Loan Agreement and in the Authority's sole discretion apply any such proceeds or moneys for such purposes as are authorized by the Resolution;

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

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

(e) 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 the Bonds, or any other obligation or liability of the Institution or the Authority arising from the Loan Agreement, from the Bond Series Certificate or from the Resolution;

(f) 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, as provided in Sections 11 and 12 of the Loan Agreement, and by any one or more of the following actions: (i) enter the Institution's premises and, to the extent permitted by law, examine and make copies of the financial books and records of the Institution relating to the Gross Receipts and, to the extent of the assigned Gross Receipts, take possession of all 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 January 1 and July 1, subject to the extent of Gross Receipts that may be accelerated, and may continue to do so commencing on each January 1 and July 1 to the extent of amounts due to the Authority under the Loan Agreement on the next January 1 and July 1, 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 thereof 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, with the approval of the Department of Health, 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 Gross Receipts assigned under the Loan Agreement, or release, wholly or partially, 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 Gross Receipts assigned under the Loan Agreement or the proceeds thereof;

(g) to the extent permitted by law, (i) enter upon the Project and complete the construction of such Project in accordance with the plans and specifications with such changes therein as the Authority may deem appropriate and employ watchmen to protect such Project, all at the risk, cost and expense of the Institution, consent to such entry being given by the Institution, (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 in any way relating to the construction of the Project and take over and use all or any part of the labor, materials, supplies and equipment contracted for by the Institution, whether or not previously incorporated into the construction of the Project, and (iv) in connection with the construction of the Project undertaken by the Authority pursuant to the provisions of paragraph (g) of Section 29 of the Loan Agreement, (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 paragraph (g) of Section 29 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 paragraph 2(g) of Section 29 of the Loan Agreement during the term thereof;

(h) 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) realize upon any security interest in the fixtures, furnishings and equipment, including any one or more of the following actions: (i) to the extent permitted by law, enter the Project or 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 under 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)

Investment of Moneys.

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

(Section 31)

Limitation on Agreements.

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

(Section 33)

Arbitrage.

The Institution covenants that it shall take no action, nor shall it consent to the taking of any action, nor shall it fail to take any action or consent to the failure to take any action, the making of any investment or the use of the proceeds of the Series 2012A Bonds, which would cause the Series 2012A 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 Series 2012A Bonds at the time of such action, investment or use. The Institution (or any related person, as defined in Section 147(a)(2) of the Code) shall not purchase Series 2012A Bonds in an amount related to the amount of any obligation to be acquired from the Institution by the Authority. The Institution will, on a timely basis, provide the Authority with all necessary information and funds not in the Authority's possession, to enable the Authority to comply with the arbitrage and rebate requirements of the Code as identified in Section 7.12 of the Resolution.

(Section 34)

Amendments and Waivers to Loan Agreement.

The Loan Agreement may be amended only in accordance with Section 7.10 of the Resolution and each amendment shall be made by an instrument in writing signed by an Authorized Officers of the Institution and the Authority, an executed counterpart of which shall be filed with the Trustee. The Authority may not, without the prior written consent of SONYMA, modify, forbear or waive any obligation of the Institution under the Loan Agreement or under the Mortgage. No amendment or waiver of any provisions of the Loan Agreement may be made, without the prior written consent of the Commissioner.

(Section 41)

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SUMMARY OF CERTAIN PROVISIONS

OF THE RESOLUTION

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SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

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

Resolution and Bonds Constitute a Contract.

It is the intent of this Resolution to authorize the issuance by the Authority, from time to time, of its Ryan/Chelsea-Clinton Community Health Center, Inc. Revenue Bonds in one or more Series, each such Series to be authorized by a separate Series Resolution and, inter alia, subject to the provisions of Section 5.01 hereof, to be separately secured from each other Series of Bonds. Each such Series of Bonds shall be separate and apart from any other Series of Bonds authorized by a different Series Resolution and the Holders of Bonds of such Series shall not be entitled to the rights and benefits conferred upon the Holders of Bonds of any other Series of Bonds by the respective Series Resolution authorizing such Series of Bonds. With respect to the Bonds, in consideration of the purchase and acceptance of any and all of the Bonds authorized to be issued under the Resolution by those who shall hold or own the same from time to time, the Resolution shall be deemed to be and shall constitute a contract among the Authority, the Trustee and the Owners from time to time of such Bonds, and the pledge and assignment made in the Resolution and the covenants and agreements set forth to be performed by or on behalf of the Authority shall be for the equal and ratable benefit, protection and security of the Owners of any and all of such Bonds, all of which, regardless of the time or times of their maturity, shall be of equal rank without preference, priority or distinction of any such Bonds over any other thereof except as expressly provided in the Resolution or permitted by the Resolution.

(Section 1.03)

Option of Authority to Assign Certain Rights and Remedies to the Trustee and/or SONYMA.

(1) As security for the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of, and interest on, the Outstanding Bonds and for the performance of each other obligation of the Authority under the Resolution, the Authority may grant, pledge and assign to SONYMA or the Trustee all of the Authority's estate, right, title, interest and claim in, to and under the Mortgage, together with all rights, powers, security interests, privileges, options and other benefits of the Authority under the Mortgage, 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, sales proceeds and other payments and other security now or after the date of the Resolution payable to or receivable by the Authority under the Mortgage, and the right to make all waivers and agreements in the name and on behalf of the Authority, as agent and attorney-in fact, and to perform all other necessary and appropriate acts under the Mortgage, subject to the following conditions: (a) that the Owners of the Bonds shall not be responsible or liable in any manner or to any extent for the performance of any of the covenants or provisions thereof to be performed by the Authority; and (b) that the Mortgage may not be assigned by any party thereto without the written consent of the other parties thereto and SONYMA, except to the Trustee as permitted by the Resolution; provided, however, that any grant, pledge and assignment of moneys, revenues, accounts, rights or other property of the Institution made with respect to the Mortgage pursuant to the provisions of Section 1.04 of the Resolution shall secure only the payment of the amounts payable under the Mortgage and Loan Agreement.

(2) In the event the Authority grants, pledges and assigns to the Trustee any of its rights as provided in the preceding paragraph, the Trustee shall accept such grant, pledge and assignment, which acceptance shall be evidenced in writing and signed by an Authorized Officer of the Trustee.

(Section 1.04)

Additional Obligations; Alternative Parity Indebtedness.

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

(Section 2.04)

Pledge of Revenues.

The proceeds from the sale of the Bonds, the Revenues, the Authority's security interest in the Gross Receipts and all funds and accounts established by the Resolution, other than the Arbitrage Rebate Fund, are pledged and assigned by the Resolution to the Trustee as security for the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Bonds and as security for the performance of any other obligation of the Authority under the Resolution and under any Series Resolution, all in accordance with the provisions of the Resolution and any Series Resolution. The pledge made by the Resolution shall relate only to the Bonds of a Series authorized by such Series Resolution and no other Series of Bonds and such pledge shall not secure any other Series of Bonds. The pledge made by the Resolution is valid, binding and perfected from the time when the pledge attaches and the proceeds from the sale of the Bonds, the Revenues, the Authority's security interest in the Gross Receipts and all funds and accounts established by the Resolution which are pledged by the Resolution shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid, binding and perfected as against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of whether such parties have notice thereof. No instrument by which such pledge is created nor any financing statement need be recorded or filed. The Bonds shall be special obligations of the Authority payable solely from and secured by a pledge of the proceeds from the sale of the Bonds, the Revenues, the Authority's security interest in the Gross Receipts and the funds and accounts established by the Resolution and which are pledged by the Resolution as provided in the Resolution, which pledge shall constitute a first lien thereon.

(Section 5.01)

Establishment of Funds.

The following funds are established and shall be held and maintained by the Trustee:

(1) Construction Fund:

(2) Debt Service Fund;

(3) Debt Service Reserve Fund; and

(4) Arbitrage Rebate Fund.

Accounts and sub-accounts within each of the foregoing funds may from time to time be established in accordance with a Series Resolution, a Bond Series Certificate or upon the direction of the Authority. All moneys at any time deposited in any fund created by the Resolution, other than the Arbitrage Rebate Fund, shall be held in trust for the benefit of the Owners of Bonds, but shall nevertheless be disbursed, allocated and applied solely for the uses and purposes provided in the Resolution.

The Authority shall apply the proceeds from the sale of any Series of Bonds in accordance with the provisions of Article V of the Resolution and the Series Resolution authorizing such Series of Bonds.

(Section 5.02)

Application of Bond Proceeds and Allocation Thereof.

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

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

(Section 5.03)

Application of Moneys in the Construction Fund.

(1) As soon as practicable after the delivery of any Bonds, the Trustee shall deposit in the Construction Fund all amounts required to be deposited therein pursuant to the Series Resolution authorizing such Bonds or otherwise required to be deposited therein pursuant to the Bond Series Certificate relating to such Bonds. In addition, the Authority shall remit to the Trustee and the Trustee shall deposit in the Construction Fund any moneys paid or instruments payable to the Authority pursuant to the Resolution Any monies or other security deposited in the Construction Fund pursuant to the Resolution shall be drawn upon by the Trustee at the direction the Authority and applied in accordance with the provisions of Section 5.04 of the Resolution.

(2) Except as otherwise provided in Article V of the Resolution and in any applicable Bond Series Certificate, moneys deposited in the Construction Fund shall be used only to pay the Costs of Issuance of the Bonds and the Costs of the Project in connection with which such Bonds were issued. For purposes of internal accounting, the Construction Fund may contain one or more accounts or subaccounts, as the Authority may deem proper.

(3) Payments for Costs of the Project and Costs of Issuance shall be made by the Trustee upon receipt of, and in accordance with, a certificate or certificates signed by the Authority stating the names of the payees, the purpose of each payment in terms sufficient for identification and the respective amounts of each such payment. Such certificate or certificates relating to the Costs of the Project shall be substantiated by a certificate filed with the Authority signed by an Authorized Officer of the Institution, describing in reasonable detail the purpose for which moneys were used and the amount thereof, and further stating that such purpose constitutes a necessary part of the Costs of the Project. No such Institution certificate shall be necessary in connection with Costs of Issuance.

(4) Any proceeds of insurance, condemnation or eminent domain awards received by the Trustee, the Authority or the Institution with respect to the Project or the Mortgaged Property shall be deposited in the Construction Fund and, if necessary, such fund may be re-established for such purpose and if not used to repair, restore or replace the Project, transferred to the Debt Service Fund for the redemption of Bonds in accordance with Section 24 of the Loan Agreement.

(5) The Project shall be deemed to be complete upon certification by the Institution to the Authority, SONYMA and the Trustee that the following conditions have been satisfied with respect to the Project:

(a) a temporary certificate of occupancy with respect to the Project shall have been issued (or a final certificate of occupancy, if that is issued first) by the appropriate governmental authorities;

(b) an Authorized Officer of the Institution shall have certified that a punch list, of items for final physical completion excluding items to be funded from moneys not on deposit in the Construction Account, has been agreed to by the Institution and that funds sufficient for completion of such punch list items are on deposit in the Construction Account; and

(c) any applicable licensing entity of the State has completed its inspections with respect to the Project and has issued the appropriate operating certificate, license or other approval as may be required with respect to the Project.

Upon receipt by the Trustee of each of the certifications required pursuant to Section 5.04 of the Resolution or, in the alternative, that provided by the Authority pursuant to subsection 6 of Section 5 of the Loan Agreement, the moneys, if any, then remaining in the Construction Fund, after making provision in accordance with the direction of the Authority for the payment of any Costs of Issuance and Costs of the Project then unpaid, shall be paid by the Trustee as follows and in the following order of priority:

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

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

Third: To the Debt Service Fund for the redemption or purchase of Bonds in accordance with the Resolution, any balance remaining.

(Section 5.04)

Enforcement of SONYMA Insurance Policy.

The Authority shall enforce its rights with respect to the SONYMA Insurance Policy immediately upon the occurrence of any "covered default" as so defined in the SONYMA Insurance Policy. Amounts received from SONYMA under the SONYMA Insurance Policy shall be deposited in the Debt Service Fund and shall constitute "Revenues" under the Resolution.

(Section 5.05)

Deposit of Revenues and Allocation Thereof.

(1) The Revenues, Gross Receipts and any other moneys which, by any of the provisions of the Resolution, the Loan Agreement, or the SONYMA Insurance Policy, are required to be deposited in the Debt Service Fund, shall upon receipt by the Trustee be deposited to the credit of the Debt Service Fund. To the extent not required to pay (a) the interest becoming due on Outstanding Bonds on the next succeeding interest payment date of the Bonds; (b) (i) in the case of amounts deposited in the Debt Service Fund during the period from the beginning of each Bond Year until January 1 thereof, the amount necessary to pay one half (½) of the principal amount becoming due on Outstanding Bonds on the next succeeding July 1; and (ii) in the case of amounts deposited in the Debt Service Fund after January 1 in a Bond Year and until the end of such Bond Year, the amount necessary to pay the principal amount becoming due on Outstanding Bonds on such July 1; (c) (i) in the case of amounts deposited in the Debt Service Fund during the period from the beginning of each Bond Year until January 1 thereof, the amount necessary to pay one half (½) of the Sinking Fund Installments of Outstanding Bonds becoming due on the next succeeding July 1; and (ii) in the case of amounts deposited in the Debt Service Fund thereafter and until the end of such Bond Year, the amount necessary to pay the Sinking Fund Installments of Outstanding Bonds becoming due on such July 1; and (d) moneys which are required or have been set aside for the redemption of Bonds, moneys in the Debt Service Fund shall be paid by the Trustee on or before the tenth Business Day succeeding each interest payment date as follows and in the following order of priority:

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

Second: To the Authority, unless otherwise paid, such amounts as are payable to the Authority for: (i) any expenditures of the Authority for fees and expenses of auditing, and fees and expenses of the Trustee and Paying Agents, all as required by the Resolution, (ii) all other expenditures reasonably and necessarily incurred by the Authority in connection with the financing of the Project, including expenses incurred by the Authority to compel full and punctual performance of all the provisions of the Loan Agreement or any Mortgage in accordance with the terms thereof, (iii) the Annual Administrative Fee of the Authority, and (iv) any transfers or deposits made by the Authority to the Arbitrage Rebate Fund in connection with any amounts required by the Code to be rebated to the Department of the Treasury of the United States of America; but only upon receipt by the Trustee of a certificate signed by the Authority, stating in reasonable detail the amounts payable to the Authority pursuant to the provisions of the Resolution summarized in this paragraph.

(2) After making the payments required by the provisions of the Resolution summarized in the preceding paragraph, any balance remaining in the Debt Service Fund on the immediately succeeding July 1 shall be paid by the Trustee upon and in accordance with the direction of the Authority to the Institution in the respective

amounts set forth in such direction, free and clear of any pledge, lien, encumbrance or security interest created by the Resolution or by the Loan Agreement. The Trustee shall notify the Authority and the Institution promptly after making the payments required by the provisions of the Resolution summarized in the preceding paragraph of any balance remaining in the Debt Service Fund on the immediately succeeding July 1.

(3) Notwithstanding the provisions of paragraph 1 of Section 5.06 of the Resolution, the Authority may, at any time subsequent to the first day of July of any Bond Year but in no event less than forty five (45) days prior to the succeeding first day of July on which a Sinking Fund Installment is scheduled to be due, direct the Trustee to purchase, with moneys on deposit in the Debt Service Fund, at a price not in excess of par plus interest accrued and unpaid to the date of such purchase, Term Bonds to be redeemed from such Sinking Fund Installment. Any Term Bond so purchased and any Term Bond purchased by the Institution and delivered to the Trustee in accordance with the Loan Agreement shall be cancelled upon receipt thereof by the Trustee and evidence of such cancellation shall be given to the Authority. The principal amount of each Term Bond so cancelled shall be credited against the Sinking Fund Installment due on such first day of July; provided that such Term Bond is cancelled by the Trustee prior to the date on which notice of redemption is published.

(Section 5.06)

Debt Service Fund.

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

(a) the interest due on all Outstanding Bonds on such interest payment date;

(b) the principal amount due on all Outstanding Bonds on such interest payment date;

(c) the Sinking Fund Installments, if any, due on all Outstanding Bonds on such interest payment date; and

(d) moneys required for the redemption of Bonds in accordance with Section 5.10 of the Resolution.

The amounts paid out pursuant to Section 5.07 of the Resolution shall be irrevocably pledged to and applied to such payments.

(2) In the event that on the fourth 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 any Series of Outstanding Bonds, for the payment of principal of any Series of Outstanding Bonds, for the payment of Sinking Fund Installments of any Series of Outstanding Bonds due and payable on such interest payment date or for the payment of the purchase price or Redemption Price of any Series of Outstanding Bonds theretofore contracted to be purchased or called for redemption, plus accrued interest thereon to the date of purchase or redemption, the Trustee shall withdraw from the applicable account of the Debt Service Reserve Fund and deposit to the applicable account of the Debt Service Fund such amounts as will increase the amount in such account of the Debt Service Fund to an amount sufficient to make payment of interest on, and principal and Sinking Fund Installments of, the applicable Series of Outstanding Bonds and to make payment of the purchase price or Redemption Price of such Outstanding Bonds. The Trustee shall notify SONYMA of a withdrawal from the Debt Service Reserve Fund for such purposes.

(Section 5.07)

Debt Service Reserve Fund.

(1) The Trustee shall deposit to the credit of the Debt Service Reserve Fund or any account thereof, such proceeds of the sale of Bonds as shall be prescribed in the Resolution, the Series Resolution or the Bond Series Certificate relating to such Bonds, and any moneys, Government Obligations and Exempt Obligations as are delivered to the Trustee by the Institution for the purposes of the Debt Service Reserve Fund.

(2) Moneys held for the credit of the Debt Service Reserve Fund shall be withdrawn by the Trustee and applied to the payment of interest, principal and Sinking Fund Installments at the times and in the amounts required to comply with the provisions of the Resolution relating to the Debt Service Fund. In addition the Authority may,

pursuant to the provisions of the Series Resolution, direct the Trustee to withdraw monies held for the credit of the Debt Service Reserve Fund. In addition, if, within the period subsequent to a default in the payment of debt service under the Loan Agreement but prior to any assignment of the Mortgage to the Trustee or SONYMA, any principal of, or interest on, any Series of Outstanding Bonds is due, part payment of such principal or interest shall be made by the Trustee from the withdrawal of monies held for the credit of the applicable account of the Debt Service Fund and the balance, if the Authority accordingly directs the Trustee, may be paid by the Trustee from the withdrawal of monies held for the credit of the applicable account of the Debt Service Reserve Fund. The Trustee shall notify the Authority and SONYMA of the amount of each transfer from the Debt Service Reserve Fund to the Debt Service Fund, and the balance remaining in the Debt Service Reserve Fund, no later than ten (10) calendar days after any such transfer.

(3) Moneys and investments held for the credit of any account of the Debt Service Reserve Fund in excess of the applicable Debt Service Reserve Fund Requirement shall be withdrawn by the Trustee and, upon direction of the Authority, be deposited in the Arbitrage Rebate Fund, the applicable account of the Debt Service Fund or the Construction Fund, or be applied to the redemption of Bonds in accordance with such direction.

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

(Section 5.08)

Application of Moneys in the Debt Service Fund for Redemption of Bonds.

(1) Moneys delivered to the Trustee, which by the provisions of the Loan Agreement, the Resolution or a Series Resolution are to be applied for redemption of Bonds, shall upon receipt by the Trustee be deposited to the credit of the Debt Service Fund for such purpose.

(2) In the event that on the fourth Business Day preceding any interest payment date the amount in the Debt Service Fund, exclusive of amounts therein deposited for the redemption of Bonds, shall be less than the amounts respectively required for payment of interest on the Outstanding Bonds, for the payment of principal of the Outstanding Bonds or for the payment of Sinking Fund Installments of the Outstanding Bonds due and payable on such interest payment date, the Trustee shall, after the withdrawals made pursuant to paragraph 2 of Section 5.07 of the Resolution, apply moneys in the Debt Service Fund deposited therein for the redemption of Bonds (other than moneys required to pay the Redemption Price of any Outstanding Bonds theretofore called for redemption or to pay the purchase price of Outstanding Bonds theretofore contracted to be purchased, including in both cases accrued interest on such Bonds to the date of redemption or purchase) in the following order of priority: to pay interest on, maturing principal of or Sinking Fund Installments of the Bonds, respectively.

(3) Subject to the provisions of the Resolution summarized in the preceding paragraph, moneys in the Debt Service Fund to be used for redemption of Bonds shall be applied by the Trustee to the purchase of Outstanding Bonds at purchase prices not exceeding the Redemption Price applicable on the next interest payment date on which such Bonds are redeemable, plus accrued interest to such date, at such times, at such purchase prices and in such manner as the Authority shall direct.

(4) Notwithstanding the provisions of paragraph 3 of Section 5.10 of the Resolution, if the amount in the Debt Service Fund at any time (other than moneys required to pay the Redemption Price of any Outstanding Bonds theretofore called for redemption or to pay the purchase price of Outstanding Bonds theretofore contracted to be purchased, including in both cases accrued interest on such Bonds to the date of redemption or purchase) is sufficient to make provision for the payment of Outstanding Bonds at the maturity or redemption date thereof pursuant to the defeasance provisions of the Resolution, the Authority may request the Trustee to take such action consistent with the defeasance provisions of the Resolution as is required thereby to deem such Bonds to have been paid within the meaning of the defeasance provisions of the Resolution. The Trustee, upon receipt of the irrevocable instructions of the Authority required by the defeasance provisions of the Resolution and the request of the

Authority to purchase Defeasance Securities sufficient to make any deposit required thereby, shall comply with such instructions and request.

(Section 5.10)

Arbitrage Rebate Fund.

The Trustee shall, with respect to each Series of Tax-Exempt Bonds, deposit to the Arbitrage Rebate Fund any moneys delivered to it by the Institution for deposit therein and, notwithstanding any other provisions of Article V of the Resolution, shall transfer to the Arbitrage Rebate Fund, in accordance with the directions of the Authority, moneys 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.

Moneys on deposit in the Arbitrage Rebate Fund shall be applied by the Trustee in accordance with the direction of the Authority to make payments to the Department of the Treasury of the United States of America at such times and in such amounts as the Authority shall determine to be required by the Code to be rebated to the Department of the Treasury of the United States of America. Moneys which the Authority determines to be in excess of the amount required to be so rebated shall be deposited to any fund under the Resolution in accordance with the directions of the Authority.

If and to the extent required by the Code, the Authority shall periodically, at such times as may be required to comply with the Code, determine the amount of Excess Earnings with respect to each Series of Tax-Exempt Bonds and direct the Trustee to (i) transfer from any other of the funds held by the Trustee under the Resolution and deposit to the Arbitrage Rebate Fund, all or a portion of the Excess Earnings with respect to each Series of Tax-Exempt Bonds and (ii) pay out of the Arbitrage Rebate Fund to the Department of the Treasury of the United States of America the amount, if any, required by the Code to be rebated thereto.

(Section 5.11)

Application of Moneys in Certain Funds for Retirement of Bonds.

Notwithstanding any other provisions of the Resolution, if at any time the amounts held in the Debt Service Fund and the Debt Service Reserve Fund are sufficient to pay the principal or Redemption Price of all Outstanding Bonds and the interest accrued and to accrue on such Bonds to the next date of redemption when all such Bonds shall be redeemable, the Trustee shall so notify the Authority, SONYMA and the Institution. Upon receipt of such notice, the Authority may request the Trustee to redeem all such Outstanding Bonds. The Trustee shall, upon receipt of such request in writing by the Authority, proceed to redeem or provide for the redemption of such Outstanding Bonds in the manner provided for redemption of such Bonds as provided in the Resolution.

(Section 5.12)

Security for Deposits.

All moneys held under the Resolution by the Trustee shall be continuously and fully secured, for the benefit of the Authority and the Owners of the Bonds, by direct obligations of the United States of America or obligations the principal of and interest on which are guaranteed by the United States of America of a market value equal at all times to the amount of the deposit so held by the Trustee; provided, however, (a) that if the securing of such moneys is not permitted by applicable law, then in such other manner as may then be required or permitted by applicable State or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds, and (b) that it shall not be necessary for the Trustee or any Paying Agent to give security for the deposit of any moneys with 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 any Bonds, or for the Trustee to give security for any moneys which shall be represented by obligations purchased or other investments made under the provisions of the Resolution as an investment of such moneys.

(Section 6.01)

Investment of Funds Held by the Trustee.

(1) Money held under the Resolution by the Trustee in the Debt Service Fund, the Construction Fund, the Debt Service Reserve Fund, the Arbitrage Rebate Fund shall, if permitted by law and as nearly as may be practicable, be invested by the Trustee, upon direction of the Authority given or confirmed in writing, signed by the Authority (which direction shall specify the amount thereof to be so invested), in Government Obligations, Federal Agency Obligations, Exempt Obligations and any other Permitted Investment; provided, however, that each such investment shall permit the moneys so deposited or invested to be available for use at the times at which the Authority reasonably believes such moneys will be required for the purposes of the Resolution; provided, further, that (x) Permitted Collateral shall be deposited with and held by the Trustee or an agent of the Trustee approved by the Authority, (y) Permitted Collateral held by the Trustee and required to secure any Permitted Investment shall have a market value, determined by the Trustee or its agent periodically, but no less frequently than weekly, at least equal to the amount deposited or invested including interest accrued thereon, and (z) the Permitted Collateral shall be free and clear of claims of any other person.

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

(3) In computing the amount in any fund or account held by the Trustee under the provisions of the Resolution, each Permitted Investment shall be valued at par or the market value thereof, plus accrued interest, whichever is lower, except that investments held in the Debt Service Reserve Fund shall be valued at the market value thereof, plus accrued interest.

(4) The Authority, in its discretion, may direct the Trustee to, and the Trustee shall, sell or present for redemption or exchange any investment held by the Trustee pursuant hereto and the proceeds thereof may be reinvested as provided in the Resolution. Except as otherwise provided in the Resolution, the Trustee shall sell at the best price obtainable, or present for redemption or exchange, any investment held by it pursuant to the Resolution whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the fund in which such investment is held. The Trustee shall advise the Authority and the Institution in writing, on or before the fifteenth 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 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 paragraph 1 of Section 6.02 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 in the previous month.

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

(Section 6.02)

Payment of Principal and Interest.

The Authority shall pay or cause to be paid the principal, Sinking Fund installments, if any, and Redemption Price of and interest on every Bond on the date and at the places and in the manner provided in the 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 and the revenues pledged or assigned by the Resolution, or intended so to be, or which the Authority may hereafter become bound to pledge or assign.

(Section 7.04)

Accounts and Audits.

The Authority shall keep proper books of record and accounts (separate from all other records and accounts), which may be kept on behalf of the Authority by the Trustee, in which complete and correct entries shall be made of its transactions relating to the Bonds, which books and accounts, at reasonable hours and subject to the reasonable rules and regulations of the Authority, shall be subject to the inspection of the Institution, the Trustee or any Owner of a Bond or such Owner's representative duly authorized in writing. The Trustee shall annually prepare a report which shall be furnished to the Authority, to each Facility 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 of each Series Resolution; a statement of the Revenues collected in connection with the Resolution and with each Series Resolution; a statement that the balance in the Debt Service Reserve Fund meets the requirement therefor 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 or any beneficial owner of a Book Entry Bond requesting the same.

(Section 7.05)

Creation of Liens.

The Authority shall not create or cause to be created any lien or charge prior or equal to that of the Bonds on the proceeds from the sale of the Bonds, the Revenues, the rights of the Authority to receive payments to be made under the Loan Agreement and the SONYMA Insurance Policy that are to be deposited with the Trustee, the Gross Receipts or the funds established by the Resolution which are pledged by the Resolution; provided, however, that nothing contained in the Resolution shall prevent the Authority from issuing bonds, notes or other obligations under another and separate resolution so long as the charge or lien created by such resolution is not prior or equal to the charge or lien created by the Resolution and provided, further, that, pursuant to the provisions of the Loan Agreement, a lien or charge on Gross Receipts equal to that of the Bonds may be created pursuant to Section 6(2) of the Loan Agreement.

(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 the Loan Agreement in the manner and at the times provided in the Loan Agreement; provided, however, that the Authority may delay or defer enforcement of one or more provisions of the Loan Agreement (other than provisions requiring the payment of moneys or the delivery of securities to the Trustee for deposit to any fund or account established under the Resolution) if the Authority determines such delay or deferment will not materially adversely affect the interests of the Owners of the Bonds.

(Section 7.07)

Deposit of Certain Moneys in the Construction Fund.

In addition to the proceeds of Bonds to be deposited in the Construction Fund, any moneys paid or other security payable to the Authority for the acquisition, construction, reconstruction, renovation or equipment of the Project and any moneys received in respect of damage to or condemnation of the Project 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 may be presented for payment. The Authority may, pursuant to a Supplemental Resolution or a resolution adopted in accordance with the Resolution, designate an additional Paying Agent or Paying Agents where Bonds may be presented for payment. The Authority shall at all times maintain an office or agency in the State where Bonds may be presented for registration, transfer or exchange and the Trustee is by the Resolution appointed as its agent to maintain such office or agency for the registration, transfer or exchange of Bonds. The provisions of the Resolution summarized in this paragraph shall be subject to the provisions of Section 3.01 of the Resolution.

(Section 7.09)

Amendment of Loan Agreement.

The Loan Agreement may not be amended, changed, modified, altered or terminated so as to materially adversely affect the interest of the Owners of the Outstanding Bonds without the prior written consent of SONYMA and the Owners of at least a majority in aggregate principal amount of the Bonds 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, the consent of the Owners of which is a requirement for any such amendment, change, modification, alteration or termination, or decrease the amount of any payment required to be made by the Institution under the Loan Agreement that is to be deposited with the Trustee or extend the time of payment thereof. Except as otherwise provided in Section 7.10 of the Resolution, the Loan Agreement may be amended, changed, modified or altered without the consent of the Owners of Outstanding Bonds or the Trustee but with the prior written consent of SONYMA. Specifically, the Loan Agreement may be amended, changed, modified or altered with the consent of the Trustee and SONYMA, but without the consent of the Owners of Outstanding Bonds, to provide necessary changes in connection with the acquisition, construction, reconstruction, rehabilitation, renovation and improvement or otherwise providing, furnishing and equipping of any facilities constituting a part of the Project or which may be added to the Project or the issuance of the Bonds, to cure any ambiguity, or to correct or supplement any provisions contained in the Loan Agreement, which may be defective or inconsistent with any other provisions contained in the Resolution or in the Loan Agreement. Upon execution by the Authority of any amendment, a copy thereof certified by the Authority shall be filed with the Trustee.

For the purposes of Section 7.10 of the Resolution, the Bonds shall be deemed to be adversely affected by an amendment, change, modification or alteration of the Loan Agreement if the same adversely affects or diminishes the rights of the Owners of the Bonds. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, Bonds would be adversely affected by any amendment, change, modification or alteration, and any such determination shall be binding and conclusive on the Authority and all Owners of the Bonds.

For all purposes of Section 7.10 of the Resolution, the Trustee shall be entitled to rely upon an opinion of counsel, which counsel shall be satisfactory to the Trustee, with respect to whether any amendment, change, modification or alteration adversely affects the interests of any Owners of Bonds then Outstanding.
(Section 7.10)

Notice as to Event of Default Under Loan Agreement and as to Enforcement of SONYMA Insurance Policy.

The Authority shall notify SONYMA and the Trustee in writing that an "Event of Default" under the Loan Agreement, as such term is defined in the Loan Agreement, has occurred and is continuing, which notice shall be given within five (5) days after the Authority has obtained actual knowledge thereof. The Authority shall keep SONYMA and the Trustee advised as to any actions taken to cure such Event of Default and/or to claim the benefits under the SONYMA Insurance Policy, including, but not limited to, the filing of a claim with respect thereto. The Authority shall, or shall cause the Trustee to, assign the Mortgage in default to SONYMA or take such other actions at such times and in such manner so as to avoid any loss or diminution of benefits receivable under the SONYMA Insurance Policy, and shall, or shall cause the Trustee to, take any and all action necessary or appropriate to ensure that all benefits of the SONYMA Insurance Policy are paid in cash in accordance with all applicable regulations of SONYMA and the terms of the SONYMA Insurance Policy.

The Authority shall not take any action in violation of the applicable regulations of SONYMA which would cause the termination of the SONYMA Insurance Policy.

(Section 7.11)

Adoption of Series Resolutions.

The Authority may adopt at any time or from time to time a Series Resolution to authorize the issue of a Series of Bonds as provided in the Resolution. A copy of each such Series Resolution shall be filed with the Trustee.

(Section 9.01)

Modification and Amendment Without Consent.

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

(a) To add additional covenants and agreements of the Authority for the purpose or further securing the payment of the Bonds, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Resolution;

(b) To prescribe further limitations and restrictions upon the issuance of the Bonds and the incurring of indebtedness by the Authority which are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect;

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

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

(e) To modify any of the provisions of the Resolution in any other respects, provided that such modifications shall not be effective until after all Bonds Outstanding as of the date of adoption of such Supplemental Resolution shall cease to be Outstanding, or

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

(Section 9.02)

Supplemental Resolutions Effective With Consent of Bondowners.

The provisions of the Resolution or a Series Resolution may also be modified or amended at any time or from time to time by a Supplemental Resolution, subject to the consent of the Bondowners in accordance with and subject to the provisions of the Resolution, such Supplemental Resolution to become effective upon the filing with the Trustee of a copy thereof certified by the Authority.

(Section 9.03)

General Provisions Relating to Supplemental Resolutions.

The Resolution or any Series Resolution shall not be modified or amended in any respect except in accordance with and subject to the provisions of Article IX and Article X of the Resolution. Nothing contained in Article IX or Article X of 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 Section 7..04 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 Supplemental Resolution adopted by the Authority, when filed with the Trustee, shall be accompanied by an opinion of Bond Counsel stating that such 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 is authorized by the Resolution to accept delivery of a certified copy of any 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 Supplemental Resolution is authorized or permitted by the provisions of the Resolution.

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

(Section 9.04)

Powers of Amendment.

Any modification or amendment of the Resolution and of the rights and obligations of the Authority and of the Owners of the Bonds under the Resolution, in any particular, may be made by a Supplemental Resolution, with the written consent given as provided in Section 10.02 of the Resolution (i) of the Owners of at least two thirds (2/3) in principal amount of the Bonds Outstanding at the time such consent is given, (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Owners of at least two-thirds (2/3) in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given, or (iii) in case the modification or amendment changes the amount or date of any Sinking Fund Installment, of all Owners of the Bonds Outstanding of the particular Series, maturity and interest rate entitled to such Sinking Fund Installment, at the time such consent is given. No such modification or amendment shall jeopardize the procurement or continuation of the SONYMA Insurance Policy. If any such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like maturity and Series remain Outstanding, the consent of the Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under Section 10.01 of the Resolution. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Owner of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Owners of which is required to effect any such modification or amendment. For the purposes of Section 10.01 of the Resolution, a Series shall be deemed to be affected by a modification or amendment of the Resolution if the same adversely affects or diminishes the rights of the Owners of Bonds of such Series. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, the Bonds of any particular Series or maturity would be affected by any modification or amendment of the Resolution and any such determination shall be binding and conclusive on the Authority and all Owners of Bonds. The Trustee may receive an opinion of counsel, including an opinion of Bond Counsel, as conclusive evidence as to whether the Bonds of any particular Series or maturity would be so affected by any such modification or amendment of the Resolution.

(Section 10.01)

Consent of Bondowners.

The Authority may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions of Section 10.01 of the Resolution to take effect when and as provided by the provisions of the Resolution summarized in this paragraph. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto in form approved by the Trustee) together with a request to the Bondowners for their consent thereto in form satisfactory to the Trustee, shall promptly after adoption be mailed by the Authority to the Bondowners (but failure to mail such copy to any particular Bondowner shall not affect the validity of the Supplemental Resolution when consented to as provided in the provisions of the Resolution summarized in this paragraph). Such Supplemental Resolution shall not be effective unless and until there shall have been filed with the Trustee (a) the written consent of the Owners of the percentages of Outstanding Bonds specified in Section 10.01 of the Resolution and (b) an opinion of Bond Counsel stating that such Supplemental Resolution has been duly and lawfully adopted and filed by the Authority in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon the Authority and enforceable in accordance with its terms. 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 with respect to which such consent is given, which proof shall be such as is permitted by Section 13.01 of 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 Section 13.01 of the Resolution shall be conclusive proof that the consents have been given by the Owners of the Bonds described in the certificate or certificates of the Trustee. Any consent given by a Bondowner shall be binding upon the Bondowner giving such consent and, anything in Section 13.01 of the Resolution to the contrary notwithstanding, upon any subsequent Bondowner and of any Bonds issued in exchange therefor (whether or not such subsequent Owner thereof has notice thereof), unless such consent is revoked in writing by the Bondowner giving such consent or a subsequent Owner thereof by filing such revocation with the Trustee, prior to the time when the written statement of the Trustee provided for in the provisions of the Resolution is filed. The fact that a consent has not been revoked may likewise be proved by a certificate of the Trustee filed with the Trustee to the effect that no revocation thereof is on file with the Trustee. At any time after the Owners of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution, the Trustee shall make and file with the Authority and the Trustee a written statement that the Owners 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 Owners of the required percentages of Bonds and will be effective as provided in Section 10.02 of the Resolution, shall be given to the Bondowners by the Authority by mailing such notice to the Bondowners (but failure to mail such notice shall not prevent such Supplemental Resolution from becoming effective and binding as provided in Section 10.02 of the Resolution) and, in the sole discretion of the Authority, by publishing the same at least once not more than ninety (90) days after the Owners of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution and the written statement of the Trustee in provided for in the Resolution is filed (but failure to publish such notice shall not prevent such Supplemental Resolution from becoming effective and binding as provided in this paragraph). If such notice is published, the Authority shall file with the Trustee proof of the publication thereof, and, if the same shall have been mailed to the Owners of Bonds, of the mailing thereof. A transcript, consisting of the papers required or permitted by Section 10.02 of the Resolution to be filed with the Trustee, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon the Authority, the Trustee, each Paying Agent and the Owners of all Bonds 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.

(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 Owners of the Bonds thereunder may be modified or amended in any respect upon the adoption and filing with the Trustee by the Authority of a copy of a Supplemental Resolution certified by the Authority and the consent of the Owners of all of the Bonds then Outstanding, such consent to be given as provided in Section 10.02 of the Resolution except that no notice to the Bondowners either by mailing or publication shall be required.

(Section 10.03)

Rights of SONYMA.

Notwithstanding anything contained in the Resolution to the contrary, all rights of SONYMA under the Resolution to have the Mortgage assigned to or on its behalf, to receive notices under the Resolution or to consent to or initiate extensions, remedies, waivers, actions and amendments under the Resolution shall cease, terminate and become null and void (i) if SONYMA fails to meet its obligations under the SONYMA Insurance Policy when due, or (ii) if SONYMA otherwise defaults or refuses to perform its other obligations in conformity with the SONYMA Insurance Policy and any such default shall continue beyond any applicable grace period after written notice from the Authority to SONYMA.

(Section 10.07)

Events of Default.

An event of default shall exist under the Resolution (in the Resolution called “event of default”) if:

(a) Payment of the principal, Sinking Fund Installments or Redemption Price of any Bond shall not be made by the Authority when the same shall become due and payable, either at maturity or by proceedings for redemption or otherwise; or

(b) 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) The Authority shall default in the due and punctual performance of the covenants contained in Section 7.12 of the Resolution and, as a result thereof, the interest on the Series 2012A Bonds shall no longer be excludable from gross income under Section 103 of the Code; or

(d) The Authority shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Resolution or in the Bonds on the part of the Authority to be performed and such default shall continue for thirty (30) days after written notice specifying such default and requiring the same to be remedied shall have been given to the Authority by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Owners of not less than twenty five per centum (25%) in principal amount of the Outstanding Bonds.

(Section 11.02)

Acceleration of Maturity.

Upon the happening and continuance of any event of default specified in Section 11.02 of the Resolution, other than an event of default specified in paragraph (c) or (d) of Section 11.02 of the Resolution, then and in every such case the Trustee may, and upon the written request of the Owners of not less than twenty five per centum (25%) in principal amount of the Outstanding Bonds shall, by a notice in writing to the Authority, declare the principal of and interest on all of the Outstanding Bonds to be due and payable immediately. At the expiration of thirty (30) days from the giving of notice of such declaration, such principal and interest shall become and be immediately due and payable, anything in the Resolution or in the Bonds to the contrary notwithstanding. At any time after the principal of the Bonds shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Resolution, the Trustee may with the written consent of the Owners of not less than twenty five per centum (25%) in principal amount of the Bonds not then due by their terms and then Outstanding, by written notice to the Authority, annul such declaration and its consequences if: (i) moneys shall have accumulated in the Debt Service Fund sufficient to pay all arrears of interest, if any, upon all of the Outstanding Bonds (except the interest accrued on such Bonds since the last interest payment date); (ii) moneys shall have accumulated and be available sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee and any Paying Agent; (iii) all other amounts then payable to the Authority 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 Bonds (other than a default in the payment of the principal of such Bonds then due only because of a declaration under Section 11.03 of the Resolution) shall have been remedied to the satisfaction of the Trustee. No such annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

(Section 11.03)

Enforcement of Remedies.

Upon the happening and continuance of any event of default specified in Section 11.02 of the Resolution, then and in every such case, the Trustee may proceed, and upon the written request of the Owners of not less than twenty five per centum (25%) in principal amount of the Outstanding Bonds, shall proceed (subject to the provisions of Section 8.06 of the Resolution), to protect and enforce its rights and the rights of the Bondowners under the 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 in aid or execution of any power in the Resolution granted, or for an accounting against the Authority as if the Authority were the trustee of an express trust, or for the enforcement of any proper legal or equitable remedy as the Trustee shall deem most effectual to protect and enforce such rights, including the foreclosure of any Mortgage assigned to the Trustee.

In the enforcement of any remedy under the 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 the Bonds, with interest on the overdue payment of the principal of and 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 such Bonds, without prejudice to any other right or remedy of the Trustee or of the Owners of such Bonds, and to recover and enforce any judgment or decree against the Authority but solely as provided in the Resolution and in such Bonds, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect in the manner provided by law, the moneys adjudged or decreed to be payable.

(Section 11.04)

Limitation of Rights of Individual Bondowners.

No Owner of any of the Bonds 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 Owner previously shall have given to the Trustee written notice of the event of default on account of which such suit, action or proceeding is to be instituted, and unless also the Owners of not less than twenty five per centum (25%) in principal amount of the Outstanding Bonds shall have made written request to the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted by the Resolution or to institute such action, suit or proceeding in its or their name, and unless also there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses, and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are declared by the Resolution, 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 thereunder. It is understood and intended that no one or more Owners of the Bonds secured by the Resolution shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Resolution or to enforce any right under the Resolution except in the manner in the Resolution provided, and that all proceedings at law or in equity shall be instituted and maintained for the benefit of all Owners of the Outstanding

Bonds. Notwithstanding any other provision of the Resolution, the Owner of any Bond shall have the right which is absolute and unconditional to receive payment of the principal of (or Redemption Price, if any) and interest on such Bond on the stated maturity expressed in such Bond (or, in the case of redemption, on the redemption date) and to institute suit for the enforcement of any such payment, and such right shall not be impaired without the consent of such Owner.

(Section 11.08)

Defeasance.

(1) If the Authority shall pay or cause to be paid to the Owners of the Bonds of a Series the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, thereof and interest thereon, at the times and in the manner stipulated therein, in the Resolution, and in the applicable Bond Series Certificate or Series Resolution, then the pledge of the Revenues or other moneys and securities pledged to such Bonds and all other rights granted by the Resolution to such Bonds shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the Authority, execute and deliver such documents to evidence such discharge and satisfaction as may be reasonably required by the Authority, and all moneys or other securities held by it pursuant to the Resolution which are not required for the payment or redemption of Bonds of such Series not theretofore surrendered for such payment or redemption shall be paid or delivered by the Trustee as follows: first, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of the Authority; second, to the Authority the amount certified by the Authority to be then due or past due pursuant to the Loan Agreement for fees and expenses of the Authority or pursuant to any indemnity; and, then, the balance thereof to the Institution. Such securities so paid or delivered shall be released from any trust, pledge, lien, encumbrance or security interest created by the Resolution or by the Loan Agreement.

(2) Bonds for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Trustee (through deposit of moneys for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in paragraph 1 of Section 12.01 of the Resolution. All Outstanding Bonds of any Series or any maturity or a portion of a maturity shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in paragraph 1 of Section 12.01 of the Resolution if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee, in form satisfactory to it, irrevocable instructions to publish as provided in Article IV of the Resolution notice of redemption on said date of such Bonds, (b) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Securities, the principal of and interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (c) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority shall have given the Trustee, in form satisfactory to it, irrevocable instructions to give, as soon as practicable, by first class mail, postage prepaid, to the Owners of said Bonds at their respective last known addresses, if any, appearing on the registration books of the Authority, and, if directed by the Authority, by publication, at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper a notice to the Owners of such Bonds that the deposit required by (b) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with the provisions of Section 12.01 of the Resolution and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds. The Authority shall give written notice to the Trustee of its selection of the maturity for which payment shall be made in accordance with the provisions of Section 12.01 of the Resolution. The Trustee shall select which Bonds of like Series and maturity shall be paid in accordance with Section 12.01 of the Resolution and in the manner provided in the Resolution. Neither Defeasance Securities nor moneys deposited with the Trustee pursuant to Section 12.01 of the Resolution nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds; provided that any moneys received from such principal or interest payments on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Defeasance Securities maturing at times and in amounts sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of

and interest to become due on such Bonds on and prior to such redemption date or maturity date thereof, as the case may be. Any income or interest earned by, or increment to, the investment of any such moneys so deposited, shall, to the extent certified by the Trustee to be in excess of the amount required in the Resolution to pay the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds, as realized, be paid by the Trustee as follows: first, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of the Authority; second, to the Authority the amount certified by the Authority to be then due or past due pursuant to the Loan Agreement for fees and expenses of the Authority or pursuant to any indemnity; and, then, the balance thereof to the Institution, and any such moneys so paid by the Trustee shall be released of any trust, pledge, lien, encumbrance or security interest created by the Resolution or by the Loan Agreement.

(3) Anything in the Resolution to the contrary notwithstanding, any moneys held by the Trustee or a Paying Agent in trust for the payment and discharge of any of the Bonds which remain unclaimed for one (1) year after the date when all of the Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee or Paying Agent at such date, or for one (1) year after the date of deposit of such moneys if deposited with the Trustee or Paying Agent after said date when all of the Bonds become due and payable, shall, at the written request of the Authority, be repaid by the Trustee or Paying Agent to the Authority as its absolute property and free from trust, and the Trustee or Paying Agent shall thereupon be released and discharged with respect thereto and the Owners of Bonds shall look only to the Authority for the payment of such Bonds; provided, however, that, before being required to make any such payment to the Authority, the Trustee or Paying Agent may, at the expense of the Authority, cause to be published in an Authorized Newspaper a notice that such moneys remain unclaimed and that, after a date named in such notice, which date shall be not less than forty (40) nor more than ninety (90) days after the date of publication of such notice, the balance of such moneys then unclaimed shall be returned to the Authority.

(4) Subject to Section 10.07 of the Resolution, in the event SONYMA has paid an insurance claim under the SONYMA Insurance Policy such that no Bonds are Outstanding, the Trustee shall transfer to SONYMA the Mortgage and all other instruments related thereto.

(Section 12.01)

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FORM OF APPROVING OPINION
OF BOND COUNSEL

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PROPOSED FORM OF APPROVING OPINION OF BOND COUNSEL

Upon delivery of the Bonds, Harris Beach PLLC, New York, New York, Bond Counsel to the Authority, proposes to issue its approving opinion in substantially the following form:

[Letterhead of Harris Beach PLLC]

[Date of Closing]

Dormitory Authority of the
State of New York
515 Broadway
Albany, New York 12207

Re: $6,175,000
Dormitory Authority of the State of New York
Ryan/Chelsea-Clinton Community Health Center, Inc. Revenue Bonds, Series 2012

Ladies and Gentlemen:

We have examined a record of proceedings relating to the sale and issuance of $5,890,000 aggregate principal amount of Ryan/Chelsea-Clinton Community Health Center, Inc. Revenue Bonds, Series 2012A (Tax-Exempt) (the "Series 2012A Bonds") and $285,000 aggregate principal amount of Ryan/Chelsea-Clinton Community Health Center, Inc. Revenue Bonds, Series 2012B (Federally Taxable) (the "Series 2012B Bonds", and collectively, with the Series 2012A Bonds, the "Series 2012 Bonds") of the Dormitory Authority of the State of New York (the "Authority"), a body corporate and politic constituting a public benefit corporation of the State of New York, created and existing under and pursuant to the Constitution and statutes of the State of New York, including the Dormitory Authority Act, being Title 4 of Article 8 of the Public Authorities Law of the State of New York, as amended to the date hereof (the "Act"). We have also examined such certificates, documents, records and matters of law as we have deemed necessary for the purpose of rendering the opinions hereinafter set forth. Capitalized terms used herein without other definition have the meanings set forth in the Resolutions (hereinafter defined).

The Series 2012 Bonds are issued under and pursuant to (i) the Constitution and laws of the State of New York, particularly the Act, (ii) the Authority's Ryan/Chelsea-Clinton Community Health Center, Inc. Revenue Bond Resolution, duly adopted by the Authority on January 25, 2012 (the "General Resolution"), (iii) the Authority's Series 2012A Resolution Authorizing up to $7,000,000 Ryan/Chelsea-Clinton Community Health Center, Inc. Revenue Bonds, Series 2012A (Tax-Exempt), duly adopted by the Authority on January 25, 2012 (the "Series 2012A Resolution"), (iii) the Authority's Series 2012B Resolution Authorizing up to $7,000,000 Ryan/Chelsea-Clinton Community Health Center, Inc. Revenue Bonds, Series 2012B (Federally Taxable), duly adopted by the Authority on January 25, 2012 (the "Series 2012B Resolution", and collectively with the Series 2012A Resolution, the "Series Resolutions"; and together with the General Resolution, the "Resolutions"), and (iv) a Bond Series Certificate, dated February 8, 2012 (the "Bond Series Certificate"), delivered by an Authorized Officer of the Authority pursuant to the Resolutions setting forth certain terms of the Series 2012 Bonds.

The Series 2012 Bonds are being issued for the purposes set forth in the Resolutions. The Series 2012 Bonds are separately secured from all other Series of Bonds which may be issued upon the terms and conditions and for the purposes set forth in the Resolutions.

The Series 2012 Bonds are dated their date of delivery and bear interest payable on July 1 and January 1 of each year until maturity, commencing July 1, 2012. The Series 2012 Bonds will mature on January 1, in the years, and will bear interest at the respective rates per annum, as set forth in the Bond Series Certificate.

The Series 2012 Bonds are issuable in the form of fully registered bonds in the denominations of $5,000 or any integral multiple thereof. The Series 2012A Bonds shall be lettered "RA-" and numbered consecutively from one upward in order of issuance. The Series 2012B Bonds shall be lettered "RB-" and numbered consecutively from one upward in order of issuance.

The Series 2012 Bonds are not subject to optional redemption prior to maturity.

The Authority and The Ryan/Chelsea-Clinton Community Health Center, Inc. (the "Institution") have entered into a Loan Agreement, dated as of January 25, 2012 (the "Loan Agreement"), pursuant to which (a) the Authority has agreed to make a loan to the Institution and (b) the Institution is required to make payments sufficient to pay, among other things, the principal of and interest on the Series 2012 Bonds. All amounts payable under the Loan Agreement which are required to be paid to the Trustee under the Resolutions for payment of the principal of, or interest on, the Series 2012 Bonds or to maintain the Debt Service Reserve Account established for each of the Series 2012A Bonds and the Series 2012B Bonds at their respective requirements have been pledged by the Authority for the benefit of the Holders thereof.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met subsequent to the issuance and delivery of the Series 2012A Bonds in order that interest thereon be and remain not included in gross income for Federal income tax purposes under Section 103 of the Code. Included among these continuing requirements are certain restrictions and prohibitions on the use and investment of bond proceeds and other moneys or property, required ownership of the facilities refinanced with the Series 2012 Bonds by an organization described in Section 501(c)(3) of the Code or governmental unit, and the rebate to the United States of certain earnings in respect of investments. In the Resolutions, the Loan Agreement, the Tax and Arbitrage Certificate, dated the date hereof, of the Authority and the Tax Certificate, dated the date hereof, of the Institution (collectively, the "Tax Certificates"), the Authority and the Institution have covenanted to comply with certain procedures, and have made certain representations and certifications, designed to assure satisfaction of the requirements of the Code.

In rendering the opinions set forth in paragraph 5 herein, we have assumed the accuracy of certain factual certifications of, and continuing compliance with, the covenants, representations, warranties, provisions and procedures set forth in the Resolutions, the Loan Agreement and the Tax Certificates by the Authority and the Institution. In the event of the inaccuracy or incompleteness of any of the certifications made by the Authority or the Institution, or the failure by the Authority or the Institution to comply with the covenants, representations, warranties, provisions and procedures set forth in the Resolutions, the Loan Agreement and the Tax Certificates, interest on the Series 2012A Bonds could become includable in gross income for federal income tax purposes retroactive to the date of the original execution and delivery of the Series 2012A Bonds, regardless of the date on which the event causing such inclusion occurs. We express no opinion as to any federal, state or local tax consequences with respect to the Series 2012A Bonds, or the interest thereon, if any change occurs or action is taken or omitted under the Resolutions, the Loan Agreement or the Tax Certificates or under any other relevant documents without the advice or approval of, or upon the advice or approval of any bond counsel other than, Harris Beach PLLC. In addition, we have not undertaken to determine, or to inform any person, whether any actions taken, or not taken, or events occurring, or not occurring, after the date of issuance of the Series 2012A Bonds may affect the tax status of interest on the Series 2012A Bonds. Further, although interest on the Series 2012A Bonds is not included in gross income for purposes of federal income taxation, receipt or accrual of the interest may otherwise affect the tax liability of a holder of a Series 2012A Bond depending upon the tax status of such holder and such holder's other items of income and deduction. We have not been requested to review and have not reviewed any matter or conducted any investigation or examination relating to the federal, state or local tax consequences with respect to the ownership or disposition of the Series 2012 Bonds, or the accrual or receipt of interest thereon, and, accordingly, except as stated in paragraphs 5 and 6 herein, we take no responsibility therefor and express no opinion in connection therewith.

We have also examined one of the Series 2012A Bonds and one of the Series 2012B Bond as executed and authenticated.

Based on the foregoing, and subject to the further qualifications and limitations noted below, we are of the opinion that:

1. The Authority is a body corporate and politic constituting a public benefit corporation of the State of New York, with the right and lawful authority and power to adopt the Resolutions and to issue the Series 2012 Bonds thereunder.

2. The Resolutions have been duly and lawfully adopted by the Authority, are in full force and effect, and constitute legal, valid and binding obligations of the Authority enforceable in accordance with their respective terms.

3. The Series 2012 Bonds have been duly and validly authorized and issued in accordance with the Act and the Resolutions. The Series 2012 Bonds constitute legal, valid and binding special limited obligations of the Authority, payable as provided in, and enforceable against the Authority in accordance with, their terms and the terms of the Resolutions, and are entitled to the equal benefits of the Act and the Resolutions.

4. The Authority has the right and lawful authority and power to enter into the Loan Agreement and the Loan Agreement has been duly authorized, executed and delivered by the Authority and assuming the due execution and delivery thereof by the Institution, constitutes a legal, valid and binding obligation of the Authority enforceable in accordance with its terms.

5. Under existing statutes, regulations, administrative rulings and court decisions as of the date hereof, interest on the Series 2012A Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code. We are also of the opinion that interest on the Series 2012A Bonds is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. We note, however, that interest on the Series 2012A Bonds is included in "adjusted current earnings" for purposes of calculating the federal alternative minimum tax liability, if any, of certain corporations.

The Series 2012A Bonds (which for purposes of this paragraph are referred to as the "Premium Bonds") are being reoffered at prices in excess of their principal amounts. An initial purchaser with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Series 2012A Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Bonds.

6. Under existing statutes, including the Act, interest on the Series 2012 Bonds is exempt from personal income taxes imposed by the State of New York or any of its political subdivisions.

The opinions contained in paragraphs 2, 3 and 4 above are qualified only to the extent that the enforceability of the Resolutions, the Series 2012 Bonds and the Loan Agreement may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or other laws heretofore or hereafter enacted and judicial decisions relating to or affecting the enforcement of creditors' rights or remedies or contractual obligations generally and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) or as to the availability of any particular remedy, and except that the availability of the rights for the specific performance or injunctive relief may be subject to the discretion of the court.

In rendering the foregoing opinions, we have made a review of such legal proceedings as we have deemed necessary to approve the legality and validity of the Series 2012 Bonds. In rendering the foregoing opinions, we have not been requested to examine any document or financial or other information concerning the Authority or the Institution other than the record of proceedings referred to above, and we express no opinion as to the adequacy or sufficiency of any financial or other information which has been or will be supplied to purchasers of the Series 2012 Bonds. In addition, we express no opinion as to the severability of any provisions of the Resolutions or the Loan Agreement.

Respectfully submitted,

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